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THE NATION'S BUSINESS



Our Waiting Railways

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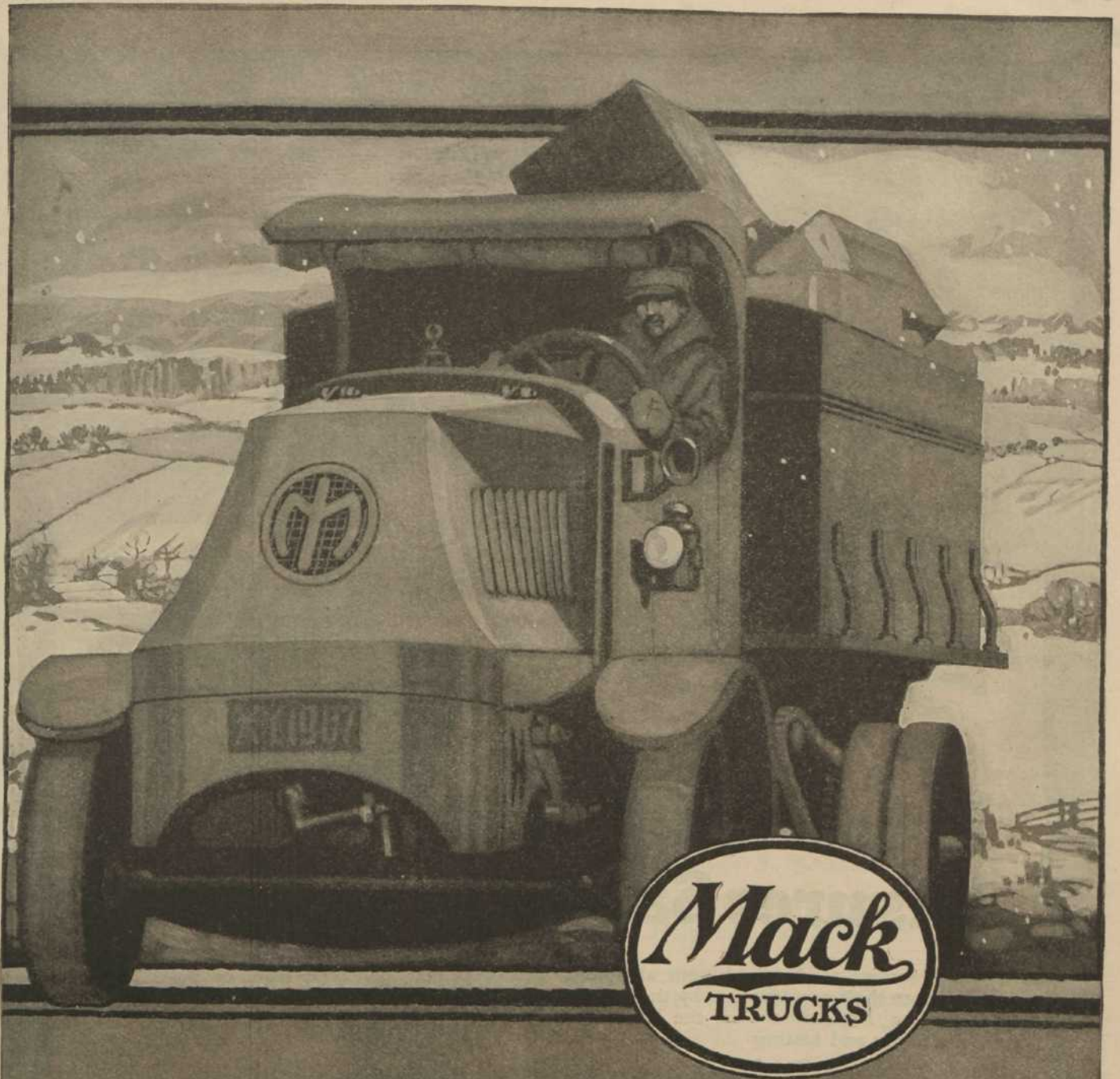
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THE NATION'S BUSINESS

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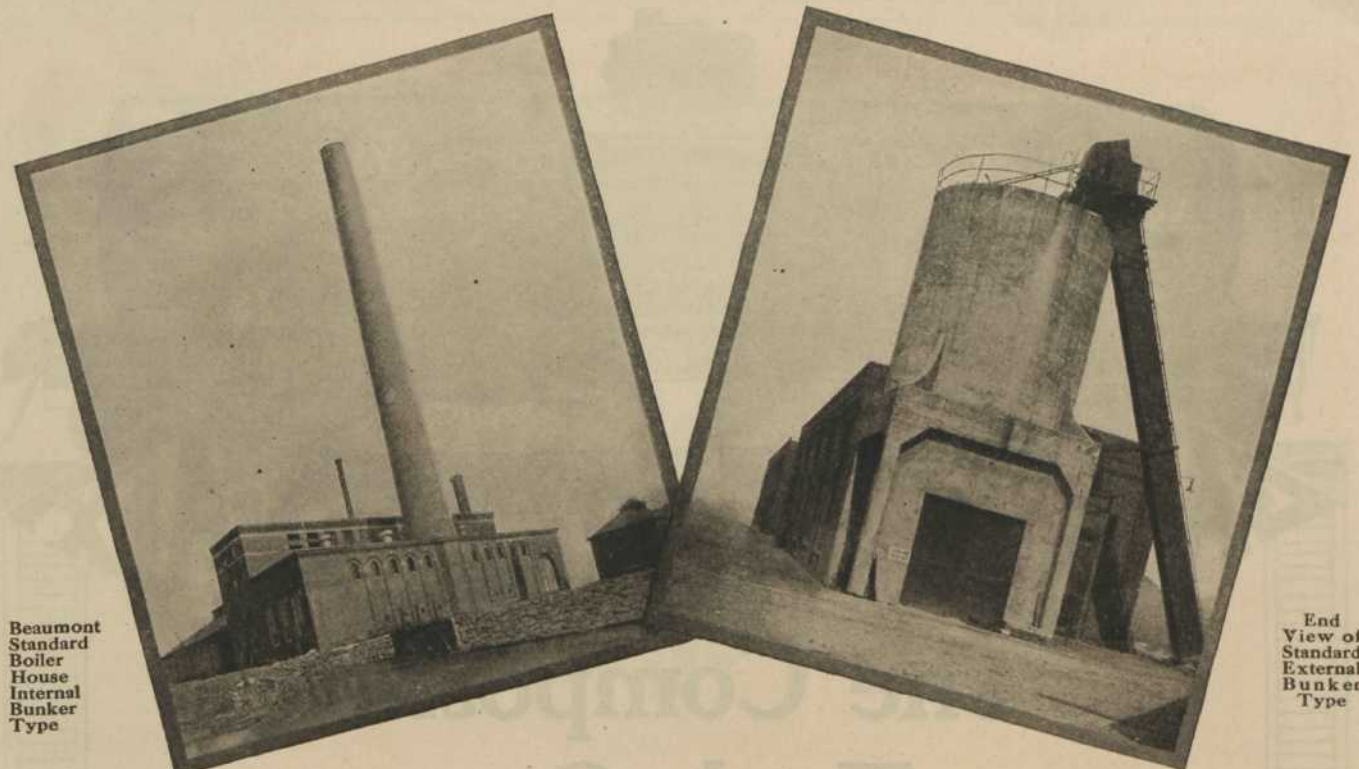
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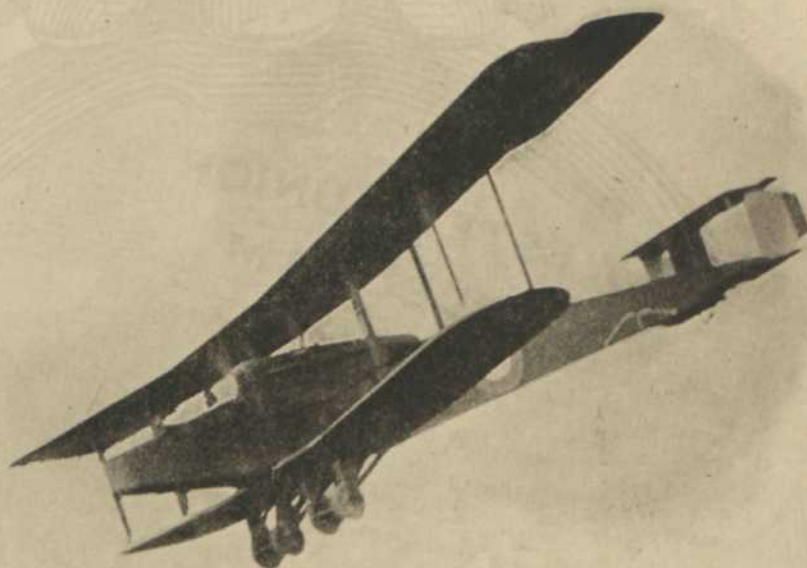
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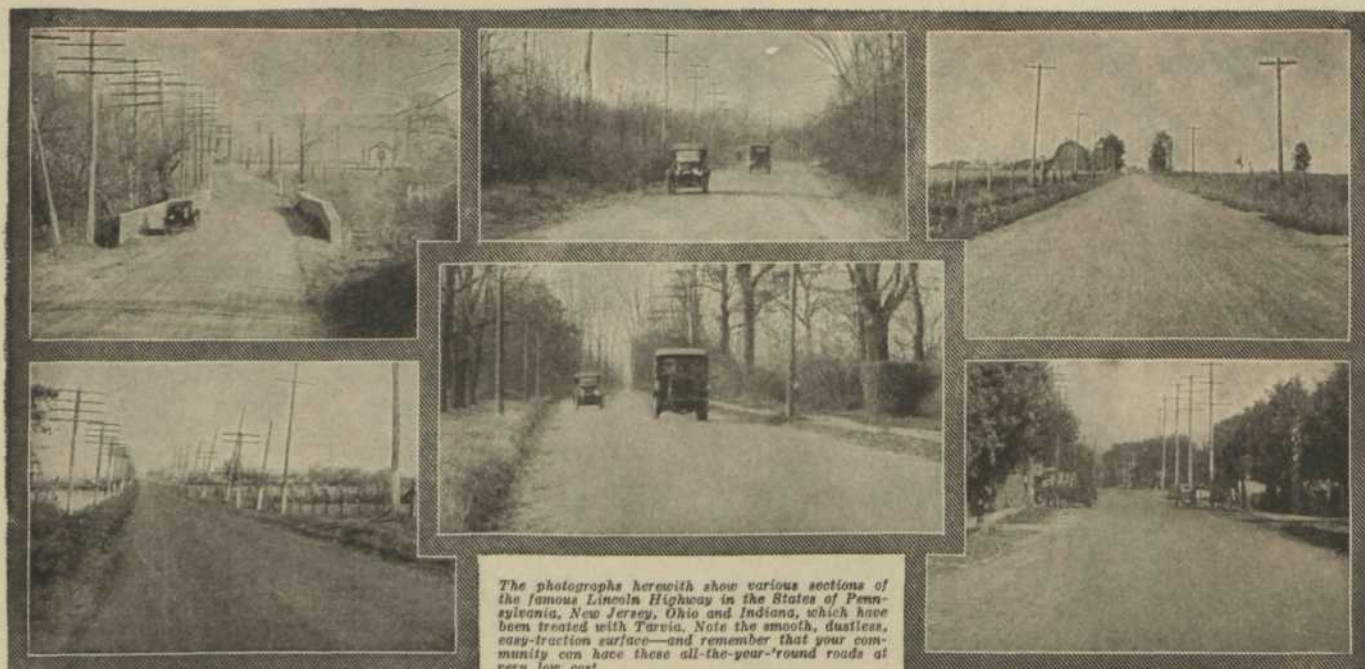
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THE NATION'S BUSINESS

A Magazine for  Business Men

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JUNE, 1919

Our Waiting Railways

What attitude will Congress take toward the carriers which are the vital factor in our commercial existence?

By SENATOR ALBERT B. CUMMINS

SIX months ago I was not at all sanguine that Congress could within any short time agree upon a plan of railroad readjustment. But day after day my faith has grown, and I now feel confident that before another year goes by we will have met, successfully, the most difficult economic undertaking ever assumed by the Congress of the United States. In the meantime the railways must be operated under the present law, with some minor modifications which I hope will be made.

A few days ago there was published in many newspapers a statement that it was the intention of the President to surrender the railroads to their former owners immediately upon his return from Europe. I sincerely hope that this statement is without authority and that the President has no such purpose in view. I can imagine no greater disaster to every interest in the country than would inevitably follow such a course. I intend to assume, for the present at least, two things:

That the President will retain the possession and continue in the operation of our systems of transportation until Congress has had a fair, reasonable opportunity to enact a permanent policy for their regulation and control.

That Congress will heed the demands of the people and will proceed with wholehearted diligence to the work before it and bring it to a conclusion within the next twelve months.

We are dealing with a property which in the aggregate represents nearly one-twelfth of the wealth of the United States. This property is privately owned, and so long as we cherish the Constitution and adhere to the commonest sense of justice we must so deal with it as to protect the rights of these owners, just as all other property privately owned is protected in every orderly, law-abiding society.

This observation, however, is but an inadequate expression of the magnitude of the subject. Upon the proper maintenance and efficient operation of the railways depend not alone the comfort and convenience of the people, but their whole industrial and commercial existence. There is no phase of human activity so vital to the life of a community, large or small, as transportation. The interest of those whose savings are invested in railway securities is very great, but it shrinks into insignificance when compared with the interest which the people as an

entirety have in the successful, economical use of this instrumentality of commerce.

It is oftentimes assumed that the war from which we are slowly emerging brought about the necessity for the reorganization of our system of control. The assumption is an error. It was well understood by those who had given the subject study before the war that our system had failed in certain essential respects, and that reorganization was necessary if adequate transportation facilities and reasonable rates were to be secured or maintained.

Government possession and operation of the railways, beginning in the last days of 1917 and continuing until now, have indeed rendered the railway companies incapable of resuming possession and operation of their properties without additional legislation, but the so-called Federal Control has not modified in any material respect the original problem. The year and a half about to expire may illustrate in a way the advantages and disadvantages of direct public operation, but nothing has occurred which reflects much light upon the question which we were considering when the war broke upon the country and to which we must now find an answer, and that speedily.

The cost of transportation is made up of



two items, the recurring charge for the capital invested in the business, and the constant charge for maintenance and operation.

Assuming, therefore, that at any given time the facilities are sufficient, the people are interested in just two things: In reducing the capital charge to the lowest rate consistent with fairness to those whose money is employed in the enterprise. In paying no more for operation than will fully compensate the men and women who perform the service, and no more for maintenance than fair compensation for work done and supplies furnished.

They are not less interested in the enlargement from time to time of the instrumentalities of transportation, but any system which will insure a fair return upon capital, and economy and efficiency in operation, will always provide the additions and betterments which the constantly growing business of the country may rightfully expect.

Our Roads Have No Rivals

TO avoid any possible misunderstanding allow me to say just here that I have no sympathy with that school of critics continually engaged in disparaging the railroad system of the United States. Physically it is a monument to the daring and genius of American railroad builders, and it has rendered more and better service than any other system in the world. Its construction has, unfortunately, been accompanied not only with flagrant violations of those precepts of sound finance now universally acknowledged, but of common, ordinary honesty as well, and it is true that in its operation it has been guilty, in times past, of great injustice; but as an instrumentality for promoting and carrying on the business of a mighty people it never has had, nor has it now, a rival throughout the civilized world.

With a full appreciation of the delicacy of the task, but with no sense of impropriety, I venture to suggest those principles which, as I view the subject, the constructive legislation of the immediate future should embody.

The people make their contribution for the maintenance and operation of railways through rates for freight and passenger service. There has been, and there is still, an insuperable difficulty respecting the establishment or adjustment of these rates. A very large proportion of railway traffic is competitive and all roads sharing the traffic must

carry it at uniform rates. The conditions under which the service is performed are so diverse and the earning capacity of the roads so widely different that the rates which will make one company inordinately rich will lead another company into inevitable bankruptcy, and yet all these companies must not only live but grow. Limiting my illustrations to what is known as Class 1 railroads, which comprise about ninety per cent of the railway mileage, and carry about ninety-six per cent of the traffic of the country, this startling situation will appear from the reports made to the Interstate Commerce Commission. I do not accept the property investment account of any company as an accurate showing of the investment, and I use it only as a basis of comparison.

In the Eastern District there are sixty-seven roads or systems. The average net operating income, for the three years preceding the war, of seventeen of them ranged from 6 to 15 per cent upon the investment account; twenty-six of them from 4 to 6 per cent; sixteen of them from 2 to 4 per cent, and eight of them less than 2 per cent.

In the Southern District there are thirty-two roads or systems. Four of them earned more than 7 per cent upon the investment account; seven of them earned less than 3 per cent, and the earnings of the remainder were between the two extremes.

In the Western District there are sixty-three roads or systems. Thirteen of them had a net operating income of more than 6 per cent; twenty of them less than 2 per cent, with the remainder between the high and the low earning power.

I am not suggesting these facts as proof that the earning capacity of the railroads of the country as a whole was insufficient, for the average of these three years exhibited a net operating income of considerably more than nine hundred millions of dollars; but the unequal distribution of the earning capacity rendered the railways carrying 25 per cent or more of the business of the country incapable of maintaining themselves.

In order that you may more clearly perceive the significance of these facts I instance two or three railroads with which you are all familiar.

Some Inequalities

THE Chicago and Northwestern and the Chicago Great Western railways are competitive. The average net operating income of the former for the period I have named was 6.13 per cent upon its property investment account; while for the latter it was 1.77 per cent. It requires no argument of elaboration to convince you that the Chicago Great Western Company cannot perform its duty to the public and survive under such conditions.

For the Atchison, Topeka and Santa Fe it was 6.16 per cent, and for the Colorado Midland it was .12 of 1 per cent.

The Interstate Commerce Commission is powerless to remedy this extraordinary and unfortunate situation, and it was apparent long before the war turned the railroads over to the government that there must be a radical change in our plan of control. A moment's consideration will satisfy all of us that rates cannot be advanced so that these

less fortunately circumstanced roads may earn enough to maintain themselves, for to do so would give to the roads which carry 75 per cent of the traffic an income so excessive that the commonest sense of justice forbids it.

For the problem I have outlined there is but one solution. There must be a series of

Our Industrial Arteries

TRANSPORTATION is to commerce what the circulation of blood is to the body. It is the pulse and flow of life. Some day freight may move through the air. But that time is not near enough for us to begin cutting holes in our roofs for shipping platforms. For the present transportation is contained in the one word—Railroads.

So much poorly digested stuff has been written about the "railroad situation" that when you encounter it in the papers you are apt to yawn and turn on over to the sport page. But if three of the country's foremost railway authorities were to appear before you, the chances are that you would sit up straight and begin to ask them questions.

Here are three men who are certainly well qualified to speak: Senator Albert B. Cummins, Walker D. Hines, Samuel Rea. Senator Cummins is ranking Republican member of the Interstate Commerce Committee of the Senate and priority will make him chairman of this body, which is expected soon to enact the law that will determine the future of the carriers. Mr. Hines is the Director General of the lines for the government, and Mr. Rea is president of the Pennsylvania Railroad.

They tell you what ought—and what in all probability will—be done with the magnificent railroad system of the United States.—THE EDITOR.

consolidations which will merge weak roads with strong ones, to the end that the resulting systems, and they will be comparatively few in number, may do business upon substantially even terms. When this is done the test of reasonable rates will be their effect in producing revenue for the system as a whole, and a minimum increase will accomplish the purpose. In many instances no increase would be required, because the surplus of the favorably situated properties in a given system would make the revenue of the whole system adequate.

It has seemed to me, therefore, that the first principle to be accepted in the reorganization toward which we are looking must be the consolidation of our railways into eighteen or twenty systems, under the initiative and direction of the government. Not regional systems, for in my judgment that would be a sad mistake. Within proper bounds, the rivalry of service is of the utmost value, and the view I have suggested contemplates the preservation of existing competition in every part of the country, and practically in every community.

I do not dwell upon the details through which this plan can be put into operation, but I incline toward a series of Federal incorporations for the ultimate ownership and operation of the several systems.

The second principle toward which I have been drawn, slowly and reluctantly but surely, is the government guaranty, in some form, of a return upon the capital invested in railways. My reason for this position is not that capital so invested should be favored, but because we are now practically guaranteeing the return, and are not securing the low rate of return which a direct government undertaking should and would command.

Taking the railway properties together, the people have, for years and years, been paying

a capital charge far in excess of a reasonable rate of interest upon a government obligation.

As I have already said, the average net operating income of the Class 1 roads for the years 1915, 1916 and 1917 was more than nine hundred millions of dollars, and this, you will observe, does not include corporate income from other sources than operation. This vast amount was available, if the companies had chosen so to use it, for the payment of interest upon current and funded indebtedness and dividends upon capital stock.

In 1917 railway bonds aggregated at par a little more than eleven billions of dollars, and railway stock at par, eliminating duplications, a little more than six billions of dollars. The average rate of interest upon the bonds is a trifle in excess of $4\frac{1}{4}$ per centum upon the entire volume of railway stocks, reckoned at their par value.

If a government guaranty in normal times can command capital at 4 per cent, and if it were granted that the railway properties of the country equalled in value their entire capitalization, the people would save two hundred and twenty millions of dollars annually by making the return certain and taking the benefits to which the guaranty would justly entitle them.

This, however, is not the complete story, so far as the future is concerned. The railways claim, and the decisions of the Supreme Court furnish a fair basis for the contention,

that under the present law they may demand rates which will enable them to earn a net income of seven, eight or nine per centum upon the entire value of the property which renders the service. I am inclined to the belief that gradually they will reach the end they have in view. If so, the people will be paying upon the properties just as they are, without additions or extensions or increase in capital account, a capital charge of more than one billion two hundred millions of dollars per year.

Better for Both

IT is my deliberate judgment that it will be far better for capital to accept a low guaranteed return, and I know that it will be infinitely better for the people to give the guarantee, for it cannot by any possibility increase their burdens, and it opens to them the only possible path toward a reduction in the charge for capital and a decrease in the enormous rates they are now paying for transportation.

There is another consideration which has strongly influenced me in reaching the conclusion I have just stated. The conflict between railway promoters, railway managers, railway security holders, making up what is commonly known as railway corporations, and the public, which has been in progress for more than forty years, and which has been carried on in conventions, elections, courts, congresses and legislatures, has been the most corrupting, degrading and demoralizing element in our history. It has been passionate, relentless and cruel. It is high time that it should be brought to a close and the whole subject forever disposed of in a way that will at once secure to the capital invested in a public business its just rewards and protect the people against the unreasonable demand for speculative profit in the performance of

a public service. Let no one imagine that I am advocating a guaranty of return upon railway securities without regard to the value of the property upon which the securities are based. Neither the railway corporation nor the owner of its securities should receive more than a fair return upon the value of the property itself.

Using a former illustration again, it would not only be unjust but absurd for the government to guarantee upon the same basis a return upon the securities of the Chicago and Northwestern Railroad, capitalized at \$46,000 per mile, and the securities of the Chicago Great Western Railroad, capitalized at \$77,000 per mile.

We have now well-nigh complete inventories of the physical property. We have the market value of the securities over a long period of time. We have, or can easily ascertain, the price at which nearly all security holders have made their investments. We have the earning power of the several railroads. With all these items of information I know that we can reach a result that will preserve the interests of the bona fide investor.

I believe that the railways should be operated by private corporations rather than by the government. I emphasize now and at all times the distinction between government ownership and government operation. I understand perfectly that when the government undertakes that the return upon the capital invested shall be certain—that is, guarantees the return, whether by legislative assurance or by explicit obligation—it may be well termed the equivalent of government ownership.

The truth is that under the existing law there is only nominal private ownership, for it is obvious that when public authority determines the revenue which railroads shall earn,

how they shall expend the money which they earn, and most minutely prescribes the manner in which the business of transportation shall be conducted, the technical ownership of the corporation has none of the essential characteristics of private property.

Which Can Give Better Service?

I THOUGHT to say further, in order that there may be no misunderstanding, that I look upon transportation as a governmental function. I believe that the government is charged with the duty of providing the people with adequate transportation at the lowest cost, just as it is charged with a duty of providing them with adequate highways, adequate water supply, adequate courts of justice, or adequate police protection. Whether the government can best perform this function through the ownership and operation of railroads or through the instrumentality of private corporations, under public control, is entirely a matter of sound judgment and wise discretion.

I advocate the operation of our railways through private corporations under the strictest control for one reason, and for one reason only. The government cannot operate the railroads either economically or efficiently. It is not possible at this time to examine the experience of other countries. I can only say that it is not reassuring, but if there be different minds about that I feel sure that the overwhelming majority of the people of this country have reached the conclusion that their government cannot take seventeen billions of railway property, rendering a service which reaches every nook and corner of the land, employing two millions of men or more, and directly affecting the fortunes of many other millions, and operate it without immense waste and tremendous extravagance.

When it is remembered that during the year, with no greater volume of traffic, the gross revenues have increased through additions in rates nearly eight millions of dollars, and that notwithstanding this addition to revenues the deficit was more than two hundred millions of dollars, it must be manifest that the very proper increase in wages does not fully account for the disastrous outcome. Without the least doubt or hesitation I record my opinion in favor of private operation.

I am not indifferent with respect to the legislative structure which I earnestly hope will be reared on these corner stones. Much will depend upon the architectural design, but, happily, the principles I have suggested lend themselves to great variety of details.

In the early days of the coming Congress the Interstate Commerce Committees of the two houses of Congress will in an earnest way take up the measures which will represent the mature views of the members who may present bills upon the subject, and in connection with all the plans which have been submitted in the course of the hearings already had will endeavor to reach a sane and safe conclusion.

I make no prediction with respect to the precise character of the legislation which will follow, but of this I am sure, the committees will meet and work in a spirit of mutual forbearance for opposing opinions, and with open minds toward all proposals. They will feel all the weight of the responsibility which has fallen upon them, and whatever can be done to compose differences will be done. Moreover, they understand better than most that the man who harbors the delusion that he knows all there is to know about this infinitely intricate and surpassingly difficult question is destined for a rude awakening and an uncomfortable surprise.

As Seen by the Director General

Some of the thoughts on the railroad problem that have presented themselves to the desk of the man who is running the lines for the government

By WALKER D. HINES

I WOULD list these five propositions as the fundamental evils of the pre-war railroad situation: The absence of standards; the wide disparity between the weak and the strong roads; the absence of any point of contact between the regulating body and the private management; the suspicion as to over-capitalization; and the fear that the public would be exploited for the benefit of the private capital.

Now those conditions existed. We found ourselves in this situation: Here was the government exercising, and properly exercising, the most thorough-going control over the railroad situation. It had an interest in it; it was virtually a partner in it through the contribution through the situation of this public franchise, and through the public interest that had to be protected, and yet there was no effective and business-like way in which the governmental interests could be carried on. It was getting more and more to be the case that the railroad business of this country was being conducted in a series of perpetual lawsuits; and that had this distinction from other lawsuits; that generally when another lawsuit is settled, it is settled:

but when one of these lawsuits in the railroad business was settled, it was nothing but the starting point for a new controversy because of those difficulties I have mentioned, combining to prevent the public from being contented with what was done and to prevent the owners of the railroads from being satisfied with the result.

Those conditions led to uncertainty and delay, and it led to the public paying a very high price for the form of regulation that was adopted. After all, one of the most important things in the regulation of the railroads and the ultimate object which really must be striven for is that the regulation shall be of such a character that while it protects the public, it will at the same time give sufficient assurance to railroad capital to bring into the railroad business the great volume of additional capital which is needed to develop the railroads, to keep abreast of the growing demand of the commerce of the country. I believe that is a standard which must be set as the thing to be achieved; and if it cannot be achieved through some form of public regulation or private management, it will eventually have to be achieved by the govern-

ment taking over the railroads completely so that it can, in the first instance, directly use its credit and raise the money necessary to continue to develop the railroads.

When we consider the diminished purchasing power of the dollar it is a very conservative estimate to say that at least a billion dollars of new capital must be put into the railroads every year for many years to come, and probably a great deal more than that must be put in; and unless a form of regulation can be adopted which will direct that capital into the business, then there is nothing to do but to put the business on a basis where governmental credit can be used in the first instance to furnish the money, and that means government ownership.

That condition was not realized under the old system. Because of the uncertainty in realizing it, it was necessary for the total charges, freight and passenger, imposed on the American people to be much greater than would have been necessary if we had had certain and effective regulations instead of uncertain regulations. For example: if we assume that the railroads were earning on an average six per cent on their investment, yet

the uncertainty surrounding it and the doubt as to whether that would be earned in the future was such that the earning of that six per cent constituted a less assurance to railroad capital than would the earning of the four and a half, if that had been definitely guaranteed. So that the public was paying a very large price, perhaps as much as one-half per cent or more, on the total value of the railroads of this country simply for the sake of having an uncertain and ineffective regulation instead of a definite and effective regulation; and in addition to that, after paying that high price, the public was suffering another disadvantage in that still.

Those difficulties I have mentioned were obvious before the war. They are very much more serious and much more obvious now. The railroad situation in the future is going to be far more difficult than it was in the

past. The disparity between the weak and the strong roads is going to be more pronounced; there are going to be fewer roads which can survive on the basis of their individual earnings. So whatever may have been the necessity for a radical and effective solution of these difficulties in the past, that necessity is multiplied many times by the new conditions.

I want to put forward my personal view as to a solution, and in all that I say I want to emphasize that I am speaking for myself alone. The Railroad Administration has no official function to perform in this regard. There is no basis for it forming any official opinion, and it has not formed any, and I do not speak for my associates in the Administration. Nor do I speak for the President. He has made it clear that he has an open mind on this subject, and has not given any

indication of his own view or what his view will probably be as to its solution.

I think there ought to be a compulsory consolidation of the railroads of this country into a few large competitive systems. I believe the American public wants competition in service, and I think that can be accomplished through the creation of a few large systems, say anywhere from twelve to twenty. I believe in each of the three great sections of the country—the West, the East and the South—a few large railroad companies can be constituted in each of which will be a strong system, and the several companies in each of these regions will give effective competition in service at practically every important point which now enjoys competition.

Each of these railroad systems can be made to combine the strong roads and the weak in
(Concluded on page 61)

The Railroad Man's Viewpoint

A timely comment on theories and practice from one who is up against the cold, hard facts of every-day railway administration

By SAMUEL REA

President, the Pennsylvania Railroad Company

HOW shall we approach the present situation to again make the railroad system the instrument of our future national progress? We must decide upon a national policy. Either government ownership or responsible national regulation must be adopted. I believe it should be the latter; and either the national government must be made supreme, and the states must, for the public welfare, consent to promptly co-operate with that national policy, or we will continue to have irresponsible and divided regulation that has sterilized railroad development, and has in substance created monopolies, and impoverished monopolies at that. This is a far-reaching political and economic question with which we must experiment no longer.

The essentials of the situation are adequate revenue to enable the companies not only to live, but to attract new capital for expansion, accompanied by constructive and responsible national legislation and regulation, committed to experienced men, assured of a long term of office to prevent the dread of reappointment, and paid sufficient compensation, and brought into state and local transportation necessities through regional commissions. The principles of such regulation are fully set forth in the Railroad Executives' plan on behalf of the railroad directors, the bondholders, the stockholders, and the public served by their lines and upon whom they depend for their revenues.

We have one system of national regulation from which we can take some comfort, i. e., the National Banking System regulated through the Federal Reserve Board and the Regional Reserve Banks. That system permits and encourages prosperous banks, and we

have confidence and pride in them. They stood the test of solvency in war time, and are the mainstay of the nation and its industries. Like the strong railroads, a large part of their profits were made from rates that were reasonable, which profits, that might legally and morally have been paid as dividends, were invested in the expansion of business to serve the country.

Yet banks have not been free from failures and bankruptcies in the past. In times of stress and depression our credit and currency system was often over-inflated and not helpful to industry, but we did not attempt to cure this solely by denunciation. Instead, we made the banks subject to one Central Reserve Board to carry out a national policy through the Federal Reserve Regional Banks. The banks participate in the selection of the regulators comprising the Boards of each Federal Reserve Regional Bank, but each individual bank, under the legal rate established, can earn as much as its individual management is able to earn. We recognize that their banking regulators must be men chosen from various walks of business life, beginning with the farm and ending with the bank itself.

The banks are not forced to continuously take a small margin of profit, and therefore when confronted by weak conditions are not forced to bankruptcy. Compare bank divi-

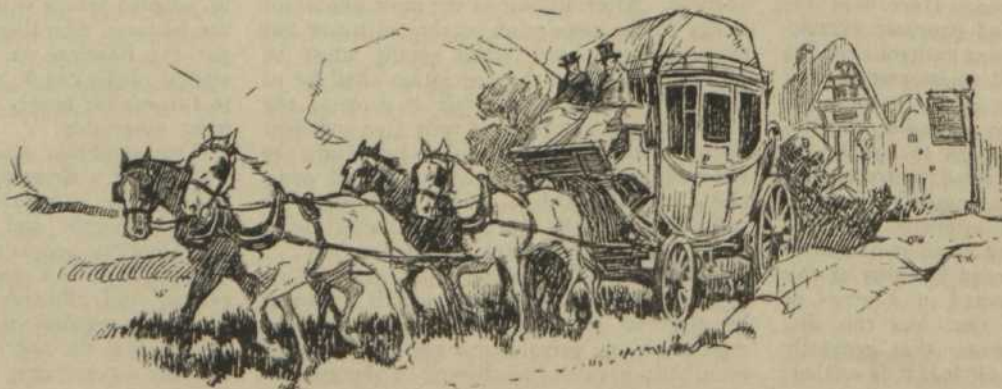
dends and profits with the railroads, and also compare the legislative treatment and regulation accorded to them with that accorded the railroads.

Can it be possible that a dollar invested in bank stock, or placed on deposit, is a greater national trust than one invested in railroad securities?

The more that the business men and the public observe the success of banking regulation will they appreciate the principles for the rehabilitation of railroad credit recommended by the railroad executives. They will see the necessity for the railroads to have a separation of regulatory judicial questions from executive and administrative questions. They will see the effectiveness of a responsible national regulatory policy by putting the responsibility for executive questions and actions where it properly belongs.

In the case of the railroads, it should be lodged either in a cabinet officer or in a board headed by a cabinet officer, or by an officer like a permanent Assistant Secretary of War, as in the case of railroad control during our Civil War. Congress should safeguard the situation against such an official suggesting, appointing, approving, or compensating any railroad officer or employee. They will see the necessity of rates reasonable and adequate to sustain railroad credit, and the wisdom of national regulation of securities and wages. They will also see the necessity of co-operation and consolidation between the railroads, and the freedom from those restrictive laws and inadequate profits that have separated and weakened them in the past.

During federal
(Cont. on page 102)



The Shipbuilder Speaks

Plain truths about what a ship is and isn't; and why not to throw away a merchant marine after you have paid several prices for one

By HOMER L. FERGUSON

President, Newport News Shipbuilding and Drydock Company

CAN you tell me of a salesman that stands in the same class as the steamers that carry our produce—and the officers and the seamen on these ships? They show the people in foreign countries that there can be produced in America the highest type of the engineer's art. They show also that the men aboard these ships, real Americans, are a commodity we are exporting.

Men abroad are right keen. They look for the ship and where it is built and who mans her quite as much as they look into the character of the cargo. The Britisher for years has been in the very forefront of foreign trade. Why? In the first place, the Britisher has sent the best they have had to sell. They have built splendid ships, they have established lines of communication and banking and merchandising all over the world, and there is no question but that the standard of honor in British trade is high the world over.

So that, if we are to get in this trade, it is necessary that we build the best and the highest type of ship that can be built.

I don't believe in cheap ships, and I don't believe that the best owners believe in cheap ships. Mr. C. P. Huntington, one of the real giants of the old days, came to Newport News and built a great shipyard. He was told he couldn't do it, that black labor could not build ships. He said they could, and he told the boys in starting what has since become a pass-word around the place and is now perpetuated on a bronze tablet.

"Boys, we are going to build the best ships here. We will build them at a profit if we can, we will build them at a loss if we must, but always good ships."

This same man built at that place eighteen splendid steamers for the Southern Pacific Companies, four steamers to run to South America, to Siberia and Corea, and the Pacific Mail for years operated across the western ocean with American-built ships and American crews and operated at a profit. It connected up with the Chesapeake and Ohio road with Newport News and developed that port.

He was determined that he would build his own ships in his own yard. Why haven't we done that? It has been largely because the great financial men of this country have not been interested in the sea. They have been interested in the development of the interior of the country. They were offered larger returns on their capital. But now what do we find?

We find that the productive capacity of the United States has grown and grown until it is absolutely necessary that we have a tremendous outlet for our energies, it is necessary that we have a merchant marine. If we had our merchant marine in actual operation along established routes, probably the best safety valve would be offered just at this time that could be possibly offered for our business and for our production.

We paid, during the war or will have paid, about three billion dollars for our marine. The British marine cost a little over one billion dollars. The entire merchant marine of

the world cost about two billion dollars. It is absolutely necessary that a considerable portion of the cost of our marine be written off. One hundred million spent before this war, would have saved a billion during this war.

And now, at the end of the war, if we are not going to have any more wars, we can lapse back into our same condition as before and say:

"Well, we'll send our cargoes out in the cheapest ships to any part."

The great business men of this country invested in shipping not as a personal interest, but as a matter of business, to the extent of two million tons before the war. These ships were built abroad. What happened when the war came on? There was a great rush to the American shipbuilders to build them ships. We had built ships after the European war started for six hundred thousand dollars that were sold for two million one hundred thousand dollars each when they were launched. Incidentally, the ship owner got that.

If these great companies who looked for big things in the cheapest market had bought their ships in the United States, regardless of the fact that they paid a larger price and had thereby built up the shipbuilding business of the United States, they would have saved in increased ship production during the war more than the value of their fleets bought abroad.

The Cost of Not Having Ships

IF the United States doesn't need a merchant marine, if the United States as a government and as a people doesn't need a marine, then I don't think it is of any particular consequence to bother about it. But the United States is paying the price for turning over its commerce on the seas absolutely, except a scant 10%, to foreign countries to operate.

You are paying the price now in taxes; you are paying the price now in lack of trade. It takes years to do this thing. Of course, it was hoped during the war, and it was expected by many that we could make up for this lapse in shipbuilding, that we could at once create this thing. It can be done in a way, but not in a large way. The people who started to build fabricated ships found out that it was difficult, and they did not and could not produce the ships in the time they promised.

Even Mr. Ford, one of our greatest manufacturers, has discovered there is a lot of difference between an eagle and a Lizzie.

It is not a manufacturing business, and it is not a business that can be picked up over night. In competing with this cheap labor abroad, with whom do we compete? The successors of James Watt, the inventor of the steam engine. With the Scotch up and down the Clyde where I learned my business and spent three years. And I want to tell you that our British friends may be somewhat slow about a lot of things, but any man who picks them out as being slow when it comes to salt water, has another guess coming to him.

But we have had a chance. We can't tell you just what we can do in producing ships until we produce them, except we believe that the United States should produce its own ships. In the case of the navy we build as fine, and I think finer, ships than any other country. The record of our destroyers and battle ships abroad is second to none. We have the best designs and we will, in the cost of building these expensive ships where real organization and engineering ability are required, come closer to foreign costs than we will with the cheap form of tramp ship which requires mostly muscle and a little of brains.

In the building of these naval ships we have demonstrated that American ship builders and American designers can build the highest type of ship. Now the Englishman has to build ships. It is his second industry. In fact, it is his first great iron working industry. In the United States, before the war, it was our twenty-third, a very significant number. And when we go into this competitive ship building business, which we are now in and which we expect to be in, there is nothing to be gained by discounting the people who are up against it for a living.

Men go down to the sea in ships because they have it in them. It is born in them. They have cultivated a taste for salt water and they love their business. We men who have been in the business have felt a tremendous disadvantage before our country of not being able to do what people did in other lines of manufacturing and building, and we have accepted the taunts of political men and others. But we hope that, now this war has shoved the biggest captains of industry into the shipbuilding business, their experience will demonstrate that perhaps the people who were in the business knew what they were doing, inasmuch as they can produce better and cheaper ships—far better and considerably cheaper—than any new ship builders.

I have heard many objections urged against the President going abroad. Do you know, my prime objection to his going abroad?

He went in the George Washington. I dare say that most of the people in the United States think that the George Washington is an American ship. The George Washington was built in Germany. The President goes and comes in the George Washington.

I hope that in the practice of the League of Nations, when they get to convening after this war, it will be directed that the representatives of the great, first-class countries will attend this League in their own vehicles.

We claim the right to build ships for our own people for their own inspection. What do we do? We build a ship and we send the details to Lloyd's. Where is Lloyd's? It is in London. We send them our plans and specifications, and after they get through red-penciling them and telling us where we get off and on, we can go ahead and build them and suit our friends from across the sea as to the character of work we do.

Do you expect men who have stood that for years to preserve their equilibrium and their good temper when they tell you that

there is a part of this United States that isn't free and never has been free since we gave up our splendid commerce on the seas.

When a battleship is built for the United States, it is insured in London, because that is the only market that will carry the insurance. And do you know that when a fire occurs on that battleship, one of our English allies goes aboard and tells us what to do to make it right? Do you think that is American? It isn't right, and it isn't right for our great allies to want to do that. If we are to be partners in this great affair of preserving the peace of the world, shouldn't we be partners in reality? Shouldn't we be partners without one being at the mercy of another? And shouldn't we have the ships to do our business, and shouldn't we build them, and shouldn't we class them?

How can the Government help us?

It can extend its credit in some ways. The Chamber of Commerce of the United States recommended years ago that the Government would lend its money on proper security at a low rate of interest to ship builders. They are doing it to farmers.

The Government can lend its credit in the shape of cheap money for ships. The real

backbone which you don't often get at in the shipping business is the great classification and underwriting. It is handled from London. The underwriting business started first and the classification followed up on that in order to guard the interest of the insurance companies.

Mr. Hurley has suggested that the Government underwrite these ships; that the Government underwrite the cargoes in these American ships. Now, I am quite aware of the fact that I might be charged with favoring governmental operation in some way or other, but why shouldn't the government of the United States use its credit because credit and integrity are the basis of the underwriting business, for the underwriting of American ships and American cargoes and giving the benefit to its own people.

Why should we go to London or to Berlin, which we did before the war, for this great underwriting business? And why shouldn't the Government take a hand in the classification, put on the American Classification Society or establish one that will insure to the Government the very best building, the very best care of these ships? In other words, they can do that without it costing you or me any-

thing, and I want to tell you that the insurance business, with a rate of four or five per cent per annum on a ship and on a cargo of about one-half per cent to one per cent, in normal times on a cargo for a single trip, is a great, big lever in this business.

And we people in the business know that although the ocean is very free, it isn't so free that you could notice it, if you encounter this combination of men.

I think that if we operate ships in these great trades, it is also necessary in spirit of what the Secretary of Commerce says about competition, for somebody to tell these people who operate the ships where they get both off and on. I have seen American ships come back from South America empty. People in the business know, that rates the world over before this war were virtually fixed, except in the case of a few tramp lines. Men in the business knew in London five months before the war started that Sir Owen Phillips and Mr. Albert Ballin fixed the price of the carriage of both cargoes and people. Anybody who bumps into this combination wants to be strong enough to say:

"If you want to cut rates, we will cut them good and plenty. We are going to operate



© International Shipbuilding Corporation

Judging from his footwear, this student in the art of riveting ship plates had been previously employed as a cow puncher. It is men of this type who are keeping up the tradition of the

productive American workman. They can, for instance, do as much work as two Japanese. But they can't do more than five Japs—and this cheap labor we must now compete with.

our ships and we are going to carry out of the port of New York our own share of our own export trade."

Mr. Hurley has placed this at fifty per cent. That is little enough, but if we make the stuff, if we manufacture and send it to our customers in another country, will some one tell me why we haven't some prior right to go with our customer for its safe carriage and transport, and why we have to let into that business on the same terms with ourselves, a middle man who is simply in the livery stable business?

It is the same theory exactly as living in your own home, which some of us still like, and renting a place. It is the proposition of whether the cheapest thing is in the long run the best thing.

Not until men insist that their ships be built for the safety and protection of their own country will such a thing be impossible. You can't have another man's marine in time of war. We are told a ship is a commodity. A ship is the only commodity that carries with it the sovereignty of its country.

A ship is the only commodity that has a right to fly the flag and not only a right, but is required to fly the flag. A ship isn't like a pair of shoes. It carries with it the customs of its own country and it is a sign of the power and might of the country. Even if all warships are abolished and war is abolished, the power on the ocean will rest, as in days of old, with the country that has ships.

It makes no difference about battleships. If you haven't got battleships and warships, you still have the ships which exercise the physical force of the world upon the seas.

As to Freedom of the Seas

FREEDOM of the seas! What is freedom of the seas?

The laws of the sea have always been written by the strongest country on the seas. If the freedom of the seas doesn't mean that a country has on that sea right and a prior right to carry its own goods, then I would like to know what it does mean.

Of course, England has gone into this trade because she has had the cheapest market for building. She is losing that now. Her great commerce the world over was built on labor conditions that are going now once and for all. A splendid thing that is happening in Europe is that if labor is equalized the world over, no American will ask any advantage whatever. When their rates get anywhere near ours, we won't talk about a merchant marine. It will be built very quickly.

In this great problem of building ships in the United States, the men who have gone to Washington have done an almost superhuman work because of the fact that the ships had to be built in large quantities of different designs to suit our methods. It was a fact that could not be helped by anybody.

The Republicans have been for years just

as unfriendly as the Democrats to the building of ships. When the Panama Canal was built, we had the contract for the building of two ships like the George Washington, and yet Congress decided that an American Railroad Company could not own a ship going through the Canal. We lost the contracts, and the President might have gone abroad on one of those.

At no time has the word of any ship builder or ship owner been acted upon. Our Congress has been more afraid of its own corporations than those of foreign countries. Of course, we are glad to pay the highest wages. Of course, we are glad, all of us, to see our American mechanics and seamen treated better than any others in the world, but it does look to me as if Congress had gotten past the resolving time and should get down to brass tacks. Every national convention for thirty years has endorsed an American Merchant Marine, just like we all make our New Year resolutions, and never does anything except to urge the people in it to put the flag on the seas.

The business men of this country can make one contribution to this, and only one that I can see. That is if they really want this thing and want their country to be an independent country, if they want their country to have a marine and build ships, they must insist that their representatives in Congress at least study the question and don't believe what the first man they meet on the street tells them.

Foundations for the Future

To build up a lasting industrial peace we must accept the new hopes and obligations of the present

By HARRY A. WHEELER

President of the Chamber of Commerce of the United States

SIX months have passed since the armistice was signed, yet if we inventory the problems of readjustment then and now confronting the world, we must recognize with dismay that we still stand upon the threshold of the period of readjustment, awaiting a final settlement in Europe which alone can open the way to the resumption of normal conditions.

Fortunately for us, our possession of all that the world needs, coupled with the great buying power of our own people, has saved us from business paralysis, and additions to our national wealth appear to be accumulating almost as rapidly as during the war period, but this very prosperity serves to continue and even to increase the inflation with which we must some time reckon, and the great social and economic problems which we should be solving remain practically untouched.

I would not be counted a pessimist, for I have an abiding faith in our national resources, our form of government, and the self-possession, poise and common sense of our people, but we cannot be blind to the fact that our people will soon weary of inaction with respect to our problems and we cannot much longer drift with neither executive nor legislative attention to fundamental matters of readjustment.

It is plain that Congress should be convened in extraordinary session at the earliest

practicable day and address itself to the formulation of such legislation as shall safeguard our social and business structure.

In the meantime, it is well for us to remember that business should put its own house in order so far as possible, and, studying the signs of the times, be prepared intelligently to co-operate with the government in whatever action may be necessary to carry readjustments through with the minimum of loss and inconvenience and with the greatest possible dispatch.

During the war the government was the greatest, and in many instances the only, customer. The government in its demands absorbed not only all of the surplus of commodities produced, but in many instances requisitioned that which was really necessary for domestic distribution. In consequence we were forced to economies and restricted in our avenues of expenditure, so that during the course of the war we bought bonds while other purchases were reduced or avoided altogether. Now we have got to buy goods, for if retrenchment in expenditures for the commodities of life were to be as rigid as during the war time, and the government no longer a customer for our productions, business depression would immediately follow, labor would be out of employment, capital would be eaten up by investment in unproductive things, taxes would not be forthcoming—bankruptcy would result.

The consequence is that we must, as speedily as possible, restore business as usual, even though prices may not be stabilized, in order to insure the maintenance of peaceful conditions at a time when anarchy and socialism and misguided efforts and unsound theories are clamoring for an opportunity to try out experiments which appeal to the ear and to the untrained mind, but which must result only in misery and ruin if put to practice.

With few exceptions American business has enjoyed several years of unprecedented prosperity. Productive capacity has been greatly increased, processes of production have been steadily improved, working capital has multiplied notwithstanding heavy war taxes, and profits have been distributed or allowed to accrue to a greater extent than in any like number of years in our national history. These profits have been the result in part of an ascending scale of prices, and we have often excused them when obviously exorbitant on the ground that price recessions would surely occur and reserves must be set up and retained to cover losses in inventory values when the tide should turn.

Values, however, are holding strong. Where recessions have come, they have not been sudden and liquidation of stocks has proceeded steadily and with profits maintained. Sudden breaks may come, but each month lessens the risk in most lines of busi-

ness and instead of being compelled to write off large sums, we are carrying forward our reserves with a fair prospect that stable prices will persist upon a high level and the funds set aside to absorb losses will ultimately become active additions to working capital.

We are in great danger of forming a habit of regarding the per cent of profit of the past few years, no matter how abnormal, as desirable to maintain as a permanent return and to feel discontented if asked to share these profits with the government or to so shade our prices as to fall back to the profit level of the pre-war years.

There is also a tendency to maintain prices and profits in order that, notwithstanding the tax demands, we may still retain as our share of the rewards of business a higher profit than we were accustomed to expect before the era of high prices began, and I wish to present this tendency most frankly for your consideration, and to set out clearly that unless certain principles are recognized and acted upon, our period of readjustment will be made exceedingly difficult and will witness many economic conflicts that can be avoided by anticipating the limitations under which American business in the future must operate.

The principle which we must recognize is a fair return upon capital actually invested, which return must vary with the risk incurred and is always demonstrable—liberal allowances for depreciation and obsolescence—liberal reserves to bridge periods of depression and stabilize employment.

Profits beyond these limitations cannot be justified as a charge against the ultimate consumer, and should be applied to the reduction of prices as a first step toward correcting inflation and restoring normal conditions.

Of all the subjects before business none will be found of greater importance than the measure in which public authority—federal, state and municipal—shall assume to operate, regulate and supervise all of the functions of our economic life, and especially those on which society depends for safety and comfort.

During the war these controls were exercised with the cordial sanction of the public and of the interests controlled more generally than had ever been thought possible in such a country as ours, and there is an evident disposition to retain many of them in effect, so that the regulations of the pre-war period may prove but a mild expression of that to which all interests serving the public must accommodate themselves in the post-war period.

In so far as public ownership and operation by federal authority is concerned, the country

is farther away from the adoption of that principle today than it was a decade ago, but there is a strong tendency to increase public regulation and supervision, and it is of the highest importance to American business that this tendency be recognized for the reason that co-operation with public authority will produce intelligent and constructive regulation, while opposition or disregard of the tendency will lead to increasingly drastic and repressive controls.

structive requirements of the interests regulated quite as much as the public which these interests serve.

Cordial acceptance by organized business of the principle of larger public regulation may tend to accomplish a number of desirable ends:

To set aside definitely all public thought of the necessity for government ownership and operation of any of the instrumentalities of commerce so long as regulation can be assured to preserve the public from being exploited.

That opposition will be removed to the broad application of the rule of reason wherein agreements between business men made in the public interest would not be regarded as criminal acts.

That all business, whether it be manufacturing, mining, or farming, shall enjoy a clear interpretation of the measure of co-operation and combination permissible in the public interest, and thus remove one of the most obstructive features of our pre-war period in which the business man found no authority from whom he could secure definite approval or disapproval of proposed agreements with his fellows.

That the larger responsibilities resting upon the federal agencies charged with the guidance of business, and of safeguarding the public, would compel greater care in the selection of personnel, and would invite acceptance of federal appointments by men, who, in the past, have not felt inclined to separate themselves from their own interests for a service not recognized as constructive in any large degree.

It is, therefore, to be determined at this time whether our commercial interests shall, by careful study and research, express an opinion upon the measure of public supervision to be encouraged, and assist in the creation of such regulatory agencies as shall constructively advance the interests regulated while at the same time safeguarding the general public in matters of service and price therefor.

Paralleling in importance the principle of regulation of all commercial services by public authority is the principle that industrial relationships, which lie at the root of society, shall be developed with due regard to the property rights of all parties. Such property rights shall include recognition of the skill of the worker and the return to which his productive capacity entitles him.

It shall also consider the return on capital from its investment in machinery and materials from which production springs, and shall consider the service which skilled worker and machinery together may properly render in the interest of the public.



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The White House forms a part of this picture with the workman putting the last touches on one of Washington's new buildings. It is symbolic of recent events which have drawn government, labor and business together.

It is my belief that more general regulations of all commercial services is in keeping with the readjustments that are in progress, and that this will not be limited to public service corporations, but will extend to industrial enterprise as well. Nor is this necessarily contrary to the interests regulated, for it can be insisted that supervision and regulation in the public interest shall be for all the public, and must consider the con-

Gags for the Spellbinders

The mouths of Europe's social nuisances are being stopped with American food, which is carrying hope abroad at the rate of five ships daily

By JULIUS H. BARNES

President, Grain Corporation United States Food Administration



THE war is won, but the pledges of the National Government made in support of vigorous war prosecution have still to be liquidated.

The injection of arbitrary Government control into private business, except as a war emergency, is distasteful and unwise. Fair and just laws insuring equal opportunity to all, and the administration of business in a spirit of fair play are the safest and the wisest checks against abuse. Interference with natural economic law is always dangerous and may become positively destructive. When that destructive tendency involves steadiness of employment and fairness of compensation and thus reduces directly the possible sum of human happiness, it is to be deplored and is the interference which produces it to be condemned.

In the case of the Congressional guaranty for wheat it may well be argued that the assurance to the wheat producer was necessary to sufficiently assure our crop production for our own protection and that of our Allies. Personally, I do not approve of the fixing of prices by statute, not even of a price guaranty by statute. The same result could have been obtained, I believe with less economic disturbance, by trade agreements in which the interested trades and the producer himself should share, but that is an academic question which the present has outstripped. The case resolves itself simply into a question as to how a national pledge made by the duly elected representatives of our people should be administered.

The question is how such a pledge can be executed and hold the balance fairly between the various classes and sections of our people, and, without injustice, protect the National Treasury.

Even though it was a war pledge, made with a definite war aim in view, and though that war has terminated, it is creditable that there was so little discussion of any form of treatment that savored of repudiation. There was no serious discussion in Congress of any limitation that might border on repudiation to any class of producer for whom that guaranty was framed; Congress, to insure its full liquidation delegated to the President such

extraordinary powers as are usually vested only for prosecution of war itself.

In the furtherance of the redemption of that guarantee it is quite possible that the National Government will acquire substantial holdings of wheat. The policies under which that wheat should be resold, here and abroad, are policies of great public interest.

I am glad, thus early in my administration, to present some suggestions of policies; some principles which I deem to be in the fair protection of all classes of our people, so that there may be a better understanding of the difficulties that are to be met, the complex problems that must be solved, and that at least those difficulties and those problems will not be made more burdensome by misunderstanding of the essential facts on which a wheat administration this coming year must rest.

I conceive that the underlying principle, the application of which most interests our people, is this:

"Will the authority vested in the President by Congress be used to maintain in the United States a price level in respect to wheat and wheat flour, higher than that concurrently accepted in foreign sales?"

Protecting Our Consumers

ON this point we are quite clear. Insofar as it is possible to ascertain a fair world price for wheat, and particularly insofar as we recognize that world price by sales from our own surplus (if such a surplus materializes) then our own consumers shall have the benefit of that price.

The question of fairly and justly ascertaining that price shades into a number of directions. If the principal buyers of the world combine, and through a single buying agency attempt to dictate by the very elimination of competition, a price which manifestly unfair to us, we have a right to take protective measures. Fair bargaining, bargaining where the price is justly fixed can only take place when neither side possesses undue advantage.

I grant you that this power of decision must be exercised with great restraint and with a high appreciation of the responsibility involved, but the responsibility of decision must

rest somewhere. Would you feel better content if those decisions, weighty as they are, should be made by men of theory rather than by men of actual practice and experience? For years the business men of this country have cried out that men of practical knowledge have not had their due influence in the national administration. For two years the food problems of the United States and the Allied world have been served by expert experience and have had the leadership of a real genius in food production and food distribution. For four years this genius directed the mass feeding of eight million people under enemy domination; directed it against all the handicaps of long sea transport, infested with submarine piracy; directed it with such wise discrimination of food selection and of food values that the faith of an overwhelmed people was kept alive for the day of their final redemption; directed it with such practical selection that the children of the Belgium at the finish of the war had been maintained in better health than the children of any people in war-devastated Europe.

That same genius today has spread across chaotic Europe a marvelous web of business administration carrying American food into the waste places of famine.

When the disunited Austrian Empire and the newly liberated countries of Southwestern Europe, jealous and fearful of each other, lacking the possibility of co-ordination, paralyzed the railway routes stretching across the conflicting territories, this leader, with the authority of the Supreme War Council behind him, created a railway service specially devoted to food relief across these rival areas and the distribution of food spells relief from famine is proceeding daily and hourly.

Ships under his direction were the first to pass the Golden Horn and to bring life and hope into the Black Sea ports of Roumania, a country stripped and impoverished by recent enemy occupation. These ships reached Christian Turkey where ships of commerce had never been for five years. Ships under his direction were the first through the Kiel Canal. Food stocks re-shipped from American vessels at Rotterdam to newly released Finnish steamers secured public order in Fin-

land while Finland's ports were still filled with floating ice.

The Baltic States have had fresh courage instilled against the peril of the Russian Reds by the substantial demonstration of sympathy and the resources of the Great Democracy of the West.

Across Germany from Danzig, guarded by American soldiers, five trainloads of food a day rushed into Poland, also so lately stripped of its crops and despoiled of its own production. You have read in the cable despatches the express thanks of Premier Paderewski.

The effective nature of this Polish relief was strikingly illustrated by Count Harodyski, who, speaking of the food actually reaching Warsaw, and being received with acclaim by the populace, said:

"This is the first time any nation ever made a promise to Poland—and kept it."

Besides the great Allied nations dependent on us for the bulk of their food—the United Kingdom, France and Italy—the United States must care for the food requirements of practically the entire of Belgium, Czechoslovakia, Roumania, Greater Serbia, Finland, Poland, and the Baltic States and Christian Turkey, requiring between the first of April and their new crop harvest which may spell their relief, a total of at least 400,000 tons monthly of food. Besides these friendly peoples, it is necessary as a war policy and to enlighten the strain of necessary armies in Europe to maintain some form of social order by contributing to Bulgaria, Austria, Hungary, Turkey and to Germany, in the same period, 450,000 tons monthly for four months. Please comprehend these figures, 850,000 tons monthly—five steamer loads of food day after day for months. Please remember that these are not only dictates of humanity, but the clearly indicated directions of the Allied Supreme War Council, and that the bulk of this 850,000 tons monthly of food must come from America until the new harvest is gathered.

Bear in mind that this food must be obtained with the least possible dislocation of domestic food markets.

And Transportation?

IT is to be remembered that transportation for these vital food needs must be taken from a world clamoring for the restoration of service on the routes of commerce. It must be carried by merchant fleets depleted by war losses, and with a large part of its carrying capacity still engaged in the final cleaning up of war transport.

Yet it is being done, quietly, systematically, with large vision and it is being directed in such a way that the history of this contribution towards the re-establishment of social order will be a story that we Americans shall read with the same pride as that which we read the accomplishments of our soldiers. With large vision, this genius had so constructed the production encouragement policies of the United States that the supply of food for this enormous vacuum abroad is available without domestic distress.

For at least a year longer we must think of American food production as one of world interest. Production must be stimulated against all the handicaps of increased costs and of labor drain not yet restored to the farms. It must be stimulated to have a margin of crop shrinkage against unfavorable weather. That stimulation is applied more directly and naturally by remunerative prices.

Lowering of prices will come moderately and naturally but low prices can not be forced against natural conditions without disaster.

We see that conditions in Russia today

where an edict-price was fixed on farm produce, very satisfactory to the customer, except that it produced no food whatever, and the production of one of the greatest crop-raising areas in the world has been stifled by this disregard of sound economic law.

So experienced a statesman and so shrewd an observer as Lord Reading recently said: "Whether or not food has been offered Russia on the conditions reported, I do not know; but I do know that food at the present time is as potent a force as great armies."

I state it again, with full conviction that since last November, and up to the approaching harvest-time, American food, American shipping, American finance, American human impulse, directed by American organization and team play, has held together a world that was almost gone.

For another year, at least, we must extend the same brotherly consideration to the newly-liberated peoples, striving to secure a firm footing in the world of opportunity. We must continue to be their big brother,—helpful, resourceful, generous. Toward our former Allies we must maintain the same attitude of fair and helpful consideration. The fortunate plentitude of our farm yields must be shared with them on a fair and just basis; not necessarily a charitable one.

Our Policy Toward Germany

OUR present and future relations with the enemy countries may well be covered by these points from the recent statement by Mr. Hoover as to why we are feeding Germany.

"From the point of view of my Western up-bringing, I would say at once, because we do not kick a man in the stomach after we have licked him.

"From the point of view of the economist, I would say that it is because there are seventy millions of people who must either produce or die, that their production is essential to the world's future and that they cannot produce unless they are fed.

"From the point of view of a reconstructionist, I would say that unless the German people can have food, can maintain order and stable government and get back to production, there is no hope of their paying the damages they owe to the world.

"From the point of view of a humanitarian, I would say that we have not been fighting with women and children and we are not beginning now.

"From the point of view of our Secretary of War, I would say that I wish to return the American soldiers home and that it is a good bargain to give food for passenger steamers on which our boys may arrive home four months earlier than will otherwise be the case.

"From the point of view of the American Treasurer, I would also say that this is a good bargain, because it saves the United States enormous expenditures in Europe in the support of idle men and allows these men to return to productivity in the United States.

"From the point of view of a negotiator of the Armistice, I would say that we are in honor bound to fulfill the implied terms of the Armistice that Germany shall have food.

"Let us not begot our minds with the idea that we are feeding Germany out of charity. She is paying for her food. All that we have done for Germany is to lift the blockade to a degree that allows her to import her food from any market that she wishes and in the initial state, in order to effect the above, we are allowing her to purchase emergency supplies from stocks in Europe, at full prices.

"Taking it by and large, our face is forward, not backward on history. We and our

children must live with these seventy million Germans. No matter how deeply we may feel at the present moment, our vision must stretch over the next hundred years and we must write now into history such acts as will stand creditably in the minds of our grandchildren."

Germany is to pay for her foodstuffs allowed her under these considerations and pay for them to the last dollar.

The re-establishment of normal production and the ordinary activities of life which spell content, is the most pressing problem today, in Europe. We can contribute fairly to it, and, at the same time, without injustice make secure our commercial dominance.

Since when has it become sound national economics to sell a national surplus at less than the fullest fair price that may be obtained?

Since when has the prosperity of our great agricultural sections been other than a national asset and a direct stimulation to production in our own country?

Since when has that agricultural prosperity failed to directly reflect its own prosperity from remunerative prices into other American lines of activity?

During this coming year we must supply large quantities of food. The sale price of that food, in view of the usual influences that prevent a full and a fair reflection of a world's price freely made by supply and demand, is a question for serious consideration.

The average price received by the American grower for wheat under the stabilized basis for the past two years has been \$2.06 per bushel. The average price received by the British grower in the same period, according to the official reports, has been \$2.28 per bushel. The guarantee prices of the other consuming countries, for the present year, runs as follows:

France	\$3.96
Spain	3.96
Italy	4.34
Holland	3.23
Norway	4.52
Portugal	6.43

While the same importing country of the Western Hemisphere—Brazil—has a guaranteed price to its growers of \$2.65. If these countries, most of whom produce a larger yield per acre, consider those prices fair assurance to their growers, can they, with good grace, object that an American price of \$2.26 netting our farmers \$2.06, is taking advantage of their necessities?

The resale price can finally be fairly placed, but it cannot be done by fixing our eyes on the fortunately large promise in America. We must not close our eyes to the fact that for exporting countries—countries which previously contributed largely to the world's supply, have become, because of war and famine, importers from our own stock instead. Russia, Roumania and India are in this class. These three countries formerly contributed an average annual bread grain export of 300,000,000 bushels and they are now importers instead. Besides bread grains, they did furnish, formerly, 350,000,000 bushels additional of food grains—corn, barley and oats—and they can furnish none of these today; nor is there any promise that the coming harvest-year will reinstate them in export ability to the slightest degree.

The enormous food vacuum of Central Europe must fall largely on America, and it is Heaven's direct blessing that American crops do promise to meet this strain of world obligation.

"A Power Beyond the Law"

Is exercised by the Sherman Act which strikes terror to the most innocent business conferences by the threat of its obscurities

By RUSH C. BUTLER

THE present Sherman Law problem is not legal in character. It is a problem of legislation. What enactment of Congress is it possible to obtain at the present time affording relief from the hardships and burdens imposed by the Sherman Law?

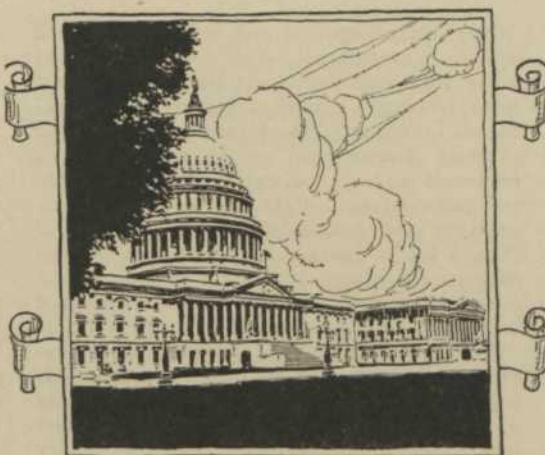
Legislation reflects but does not create public sentiment. It is therefore reasonable to expect that it will be possible to obtain from Congress whatever legislation will be approved at this time by the sentiment of the people. That sentiment is already well crystallized and well expressed in recent legislative enactments. The problem, therefore, is easily solved if we are content to accept, as I believe we should, such legislation as Congress may enact in harmony with its well defined contemporaneous legislative policy. The next logical step in this field of federal legislation, an act conferring authority upon an administrative body to approve in advance contracts which do not unreasonably restrain trade, would solve the problem now pressing.

Perhaps none of you will disagree with my statement of the present problem. I believe the record of Congress of the past ten or twelve years will justify the suggested solution. Let us examine that record.

The Sherman Law was enacted in 1890. It provided among other things that every contract in restraint of trade is unlawful. In the earliest cases interpreting this law the Supreme Court, by a divided vote of five to four, held that the law applied to every contract, whether reasonably or unreasonably in restraint of trade. In 1911, in the Standard Oil case, in an opinion which appeals to most lawyers as better grounded than the previous opinions of the court, it was held that the Sherman Law made unlawful only such contracts as unreasonably restrained trade. This modified interpretation of the law, while helpful, did not afford much relief, for the reason that no one could tell until years after any agreement was made whether or not it constituted only a reasonable restraint.

In England the law of restraints and monopolies is in substance the same as here; that is to say, the rule of law is the same, namely, that only those restraints which are unreasonable are unlawful. In England, however, violation of the law is not a criminal offense. No regulation is established concerning it. Resort to the courts either by the government or by aggrieved persons is so infrequent as to be the occasion of comment. The difficulty with the Sherman Law is caused by the fact that a violation of its provisions constitutes a criminal offense, subjecting the party found guilty thereof to fine or imprisonment, or both. As a result of the criminal provisions of the Sherman Law men are not only kept from violating the law—that is, from entering into agreements unreasonably restraining trade—but they are kept from entering into any agreements restraining trade, even though the restraints be reasonable and therefore lawful.

If fear of the law keeps men from entering



into lawful contracts the public interest is violated. The Sherman Law is the basis of such fear to a degree that cannot be overstated. It is therefore something more than a law—it is a power beyond the law.

As early as 1906 or 1907 President Roosevelt, in one or more messages to Congress, urged the appointment of a governmental agency in which should be vested certain authority enabling it to make more clear the application of the Sherman Law in individual instances. Recommendations to the same effect were submitted to Congress by President Taft. As above stated, the Supreme Court in the year 1911 modified the rule of the Sherman Law.

President Wilson, in line with the recommendations of President Roosevelt and President Taft, and recognizing the necessity of providing means whereby advantage might be taken of the decision of the Supreme Court in the Standard Oil case, addressed Congress on January 20, 1914, strongly urging the appointment of an interstate trade body.

Has Regulation Failed?

OURS is a government of laws, not of men.

At the present time we are committed to the policy of regulation. If that policy proves a failure it does not necessarily follow that our laws fail or that our form of government fails. It only means that the policy of regulation will have to be abandoned and our laws administered directly as enacted by the Congress. But regulation has not yet failed. It has been severely tried and perhaps at times and in places has been found wanting, but if men who regulate occasionally fall short of the standard desired, it is, nevertheless, hoped and believed that men can, will and must be found who will view broadly, feel sympathetically and decide wisely as to matters entrusted to their care.

The plea of the President in his address to Congress of January 20, 1914, has not yet been fully answered. The full power suggested by the President has not been conferred. The guidance, the constructive helpfulness that he besought from Congress has not yet been measured out. Business still waits on the word of authority from the seat

of government. It awaits the word that the power to help has been ungrudgingly granted and will be sympathetically administered. What the Department of Labor is to labor, what the Department of Agriculture is to the farmer and the horticulturist, so business men hope the Federal Trade Commission with enlarged authority will be to business.

The Attorney General of the United States, in an interview more than three years ago announcing the attitude of the Department of Justice toward business, gave expression to views quite as encouraging as those uttered by the President in the address to Congress to which I have referred. It seems to be the view of lawyers and business men generally that the Attorney General has conducted the affairs of his office entirely in accordance with the ideas expressed in his statement.

It has been suggested that the power to pass in advance on contracts restraining trade should be vested either in a new body to be created by Congress or in an enlarged Federal Trade Commission.

Meantime, if the Federal Trade Commission were to revive its practice of issuing conference rulings and inaugurate the practice of rendering reasonable opinions in each case presented to it and causing such opinions to be published, much constructive benefit would be afforded business and industry.

Price-Fixing and the Law

PRICE-STABILIZATION, through the plan of which the Industrial Board was the central agency, the Attorney General believes would run afoul of our trust laws. Such was the gist of the opinion which he made public on May 10.

This conclusion he reached after construing the plan to mean a fixing of prices in basic industries by agreement, instead of through competition, on the assumption that adjustment of prices to a peace basis can be better accomplished by agreements than from the operation of the natural laws of trade. Beginning with this interpretation the Attorney General's logic runs as follows: The competitive system of industry has been ordained for the United States by the legislative department. Price-fixing agreements have been the most common means for violation of this system. A good intention and a good effect do not relieve such agreements from conflict with the system. The Industrial Board was not vested by Congress with authority, such as was given in the Food Control Act under which prices could properly be fixed, and consequently intervention by the Board did not make legal a situation which, as among private persons, would have been illegal. In view of some thirty statutes requiring that the Government normally obtain materials through competitive bidding, the Board not only could not deal with prices which the public would pay but could not reach agreements for the Government's own purchases.

The Government's Part

How the long arm of Uncle Sam can protect the money that goes abroad and see that our investments do not suffer in countries addicted to economic apoplexy

By PAUL FULLER

Formerly in Charge of War Trade Intelligence in the War Trade Board

THE producers of America are on the threshold of a new era; beyond the threshold stretches that vast area we are accustomed to call foreign markets.

The first and essential step in order to protect the American investor in the foreign field is the adoption of a national policy for the extension of our foreign trade and for the protection of the lives and property of Americans who are willing and anxious to enter into that field.

In the past our investments have been confined to a few large companies who were willing to trust to their own efforts for protection; but no investment on a large scale is possible unless the bankers of the country can distribute foreign securities among the investing public generally. The small investor is naturally loath to risk his savings in foreign enterprises without the assurance that he will receive fair and adequate government protection. Such a policy must not be confined to any one of the great political parties, but must become a national and fixed American tradition.

A single incident will serve as an illustration: The War Trade Intelligence Bureau, which during the war passed on all import and export licenses with regard to the enemy or non-enemy character of consignor and consignee, and which was also charged with the preparation and revision of the *blacklists*, sought to replace enemy houses in South America which had been forced out of business with American or Anglo-Franco-American capital.

Dollars Instead of Marks

ON one occasion the suggestion was made of taking over a large German-owned public utility corporation, which was at that time almost bankrupt, by a syndicate of British and American capitalists. The matter came to the attention of one of our largest manufacturing concerns, whose president had expressed his interest in the proposition and his desire to invest. The president of this concern added, however, that he would only invest on the condition that British capital should be largely represented, as that constituted his only assurance that he would receive fair treatment.

All our relations with the rest of the world are founded on commercial relations, and we must be prepared to meet this issue squarely—do we purpose to follow a career of complete isolation, or manfully take up the part which the logic of events has carved out for us? We must expand in fairness to ourselves and to the countries of Europe and South America, which suffer grievously if we stand aloof. In order to expand we must invest, and we cannot invest unless our investments are protected.

The right of an American citizen to the protection of his government over his life and property when within the jurisdiction of a foreign government has long been recognized. Wherever a citizen, residing in a foreign country, has been denied justice he is entitled to seek the assistance of his government. This ground for seeking assistance is termed a "denial of justice" and validity has been

universally recognized and jealously guarded by our government. On several occasions when foreign governments have promulgated laws defining a denial of justice or attempting to limit the right of foreigners to appeal to their governments, the United States has protested and served notice that they could recognize no such right in the foreign government and has insisted upon the general rule of International Law that where a denial of justice has occurred in the opinion of the complaining government it will be considered a proper ground of diplomatic intervention.

When we realize that the question of governmental protection is purely academic as regards our relations with the large countries of Europe, it is difficult to imagine any cases where the adoption of an embargo policy would not be sufficient to enforce the demands of our government. If, however, even this method should fail, there always remains as a last resort a show of force—which means war.

No Need of Force

I AM convinced that if we realized the urgent need of fostering foreign trade and of affording protection to our citizens engaged in it, that with competent representatives there would be little or no need for the use of the several methods of enforcing that right.

Our relations with the great governments of Europe are such, and the protection afforded by their courts to subjects and aliens alike are so adequate, that it is hard to think of any case of a denial of justice to an American citizen residing in those countries.

The quasi-tutelage which the United States exercises in the West Indies, the Platt Amendment in Cuba, and the existing relations between the United States and the Republics of Central America—which have sometimes been troublesome in the past—are such that the exercise of good offices should be enough to afford adequate protection to American investments and investors in those countries. With the closer and more friendly understanding which now exists between the United States and the great Republics of South America, and the experience which grew out of our embargo policies during the war, there is little likelihood of serious injustice being done to our citizens in those countries, provided always that our diplomatic representatives shall be in the future men qualified to represent the United States by education, experience and character. It is greatly to be hoped that with the coming expansion of our foreign trade the business men of this country will come to a truer realization of the necessity for the building up of a Diplomatic Corps which shall be free from politics.

If the country had a proper realization of the way in which we have often been misrepresented, everyone would insist upon divorcing the diplomatic corps from party politics. During the war one of our neighbors—to the south—found itself in a perplexing situation. German capital entirely controlled the country before the war; banks, exporters, planters

were all German. The republic was almost entirely dependent upon their Hun capitalists. On the other hand, under our Trading with the Enemy Act and Regulations Americans were forbidden to do business with what we knew were enemy concerns.

Neither American business men nor the foreign government got any help from our representatives; and, in fact, there were ugly rumors that they were dangerously friendly with the very houses we were trying to destroy. Finally an appeal was made to Washington and it was tactfully suggested to representatives of the little republic that a policy of confiscation of enemy property similar to our own policy would cure the trouble. We were then asked for assistance in preparing the law and regulations and in administering the property taken over. About this time the American Minister found it convenient to take a vacation, and the War Trade Intelligence was named Alien Property Custodian and sent special agents who were properly accredited by the State Department.

The men chosen were capable, experienced men, of the highest moral qualities and with a knowledge of Spanish. The result was almost miraculous. An Alien Property Law was adopted, all German property was taken over, commercial relations between the two countries were resumed, and natives and members of the American Colony alike were loud in their praise of methods and accomplishments.

I have chosen this illustration at random; but it in no way exaggerates similar conditions in other countries. Our Ambassadors and Ministers, as well as our Consuls, are agents of the business man, and it is vital to see that they are well chosen.

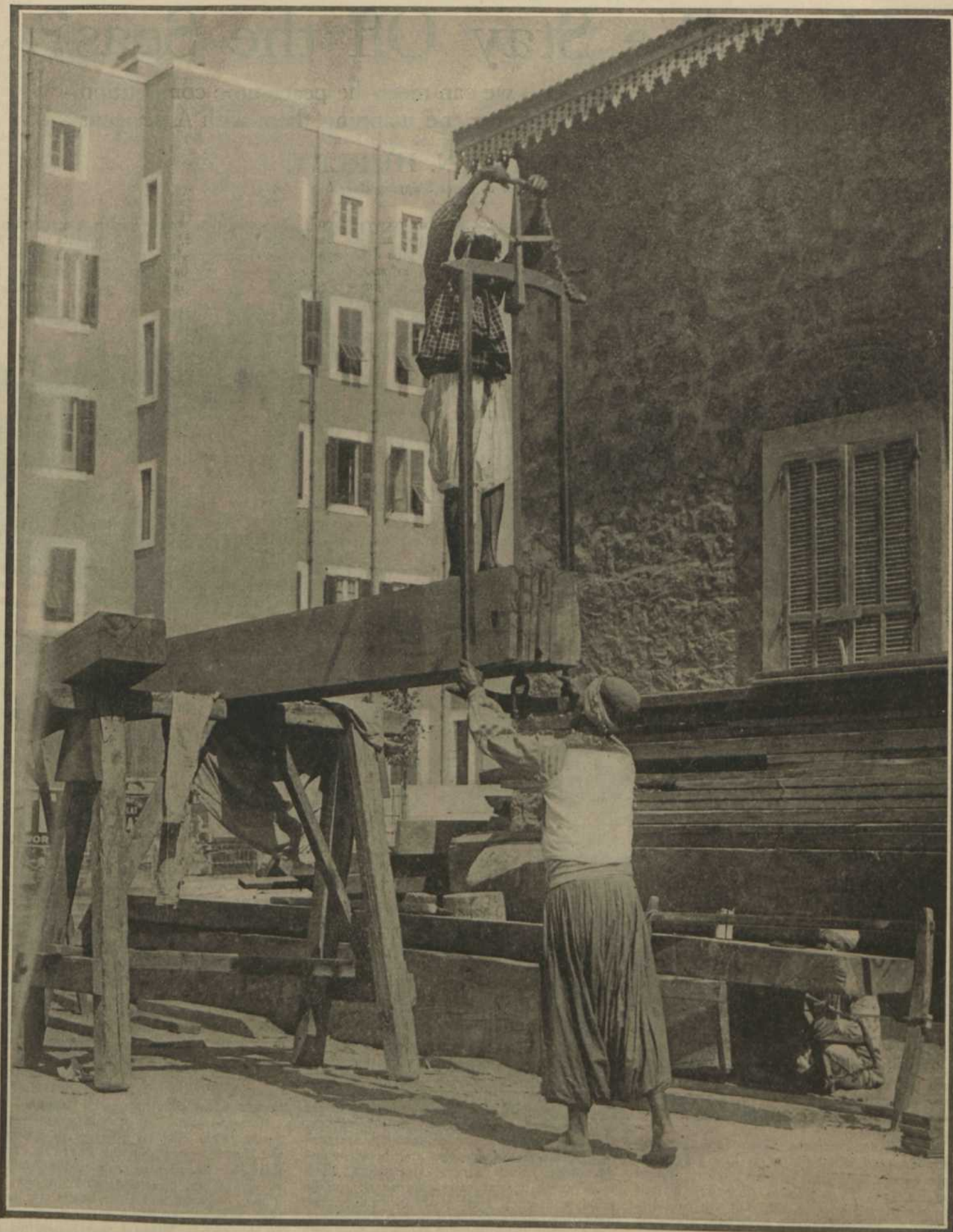
It is probable, therefore, that a determination on the part of our government to foster foreign trade and to take all necessary legal measures for the protection of the property and lives of its citizens will be a sufficient safeguard as regards Latin America and the principal countries of Europe.

There remain, however, the question of our commerce with the newly recognized Slav states—Jugo-Slavia and Czecho-Slovakia, with the Balkans, Russia in the near future, and more especially its Black Sea provinces and the Far East. The chaotic condition in which these countries are today, the possibility of a further spread of Bolshevism, and the necessarily unsettled conditions in newly organized states, will require a greater degree of vigilance and a more vigorous policy of protection than would be necessary if dealing with other countries.

The opening up of these territories to the commerce of the world is a matter of the first importance to them. It is the only way in which they can resist the spread of Bolshevism and settle down to a peaceable and orderly existence. On the other hand, these territories constitute very valuable markets for the United States and other countries.

Within the past six weeks clients of mine arranged for the shipment of a mixed cargo of foodstuffs and textiles for some of the

(Concluded on page 89)



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AN Egyptian saw mill—99 per cent muscle and 1 per cent equipment. It is possible that the world, with its man power weakened, will not continue to place so much dependence on these laborious methods of turning logs into lumber when there

are such things to be bought as American made gang saws and shot-gun carriages. Not only is it the recognized duty of the Government to keep in touch with all such opportunities, but it must, in addition, insure fair treatment for our investments.

Must We Stay Off the Seas?

One answer to those who ask if we can meet the peace-time competition of other countries in building ships and manning them with Americans

By EDWARD N. HURLEY

Chairman, United States Shipping Board

THE question as to whether we can compete in the future with foreign shipbuilders is one which the shipbuilders of this country will have to decide. The price of steel plates and shapes in America today is about \$50.00 a ton, which is \$15.00 lower than the price of such plates and shapes in Great Britain. If the price of materials is approximately the same in both countries, the next important question is the one of labor.

Shipbuilders inform me that labor in the shipyards has increased in efficiency from thirty to forty per cent since the signing of the armistice. There is no question but what our wages are higher than those paid in foreign shipbuilding yards. The question of labor, however, is concerned not so much with wages as it is with the amount of work produced by the men and the efficiency of the management.

In 1916 contracts were let in American shipyards for steel tankers at \$64.00 a ton—delivery to be made in 1917. Today we are paying \$225.00 a ton. Cargo ships contracted for in 1916 at \$65.00 a ton are now costing us \$195.00 a ton; in some of the new and inexperienced yards we are paying as high as \$221.00 a ton, and in a few yards prices will go to approximately \$300.00 a ton.

The Two Main Issues

THE contracts for our present program were made during the war. With the slowing down of the tremendous energies which built up an American merchant marine in so short a time, the talk about war prices for ships has brought up very vividly two questions with reference to America's ability to maintain her place upon the seas.

One of these is that American shipyards cannot hope to build ships in competition with foreign yards; the other is that the high cost of operating American ships so heavily handicaps our merchant marine that after they are built they cannot compete with ships under foreign registry.

The first of these—the question as to whether our shipyards can build as cheaply as foreign yards—was answered the other day when the Submarine Boat Company of Newark Bay, New Jersey, announced its readiness to contract for 12,000-ton steel ships at \$149.00 a deadweight ton, a great reduction from the war prices of \$195.00 to \$225.00 a ton for cargo ships and tankers in the old established yards, and an even greater reduction from the higher prices for cargo ships in other yards.

I have no authentic information that any foreign yard will build at as low a price as the Submarine Boat Company's offer. There are reports from abroad of prices quoted lower than \$150.00 a ton, but we can discover no contracts which have been placed at such figures.

One of the pioneer shipbuilders in this country, Mr. Homer L. Ferguson, has advised us that on future orders which we may desire to place for twelve and fifteen thousand ton freight ships he will quote us a flat price

lower than the \$149.00 offer we received from the Submarine Boat Company, and he has also agreed to cancel the cost plus a fee contracts which we have with him and give us a flat price per deadweight ton on these ships. This shows the confidence Mr. Ferguson has in his organization. I am also informed by one of the most reliable shipbuilders in the country that he is sure he can build ships now at \$140.00 a ton and make a fair profit.

I have no doubt that these prices will be met by many among our progressive and efficient shipbuilders, and I believe that further substantial reductions may be expected as normal conditions return.

The question as to whether American ships, after they are built, can be operated in competition with other nations is a very vital one, and the following information may be of interest:

Great Britain is paying her seamen \$72.00 per month, which includes a war bonus of 20%, and which, I am reliably informed, the British seamen will never relinquish.

We are paying our seamen \$75.00 a month—a flat scale without war bonus—and will continue to pay that wage.

The French and Dutch are also paying high wages to their merchant crews.

In Sweden and Norway the wage scales for seamen are even higher than in the United States.

Japan and Greece are operating ships under a lower wage scale. But with a total world's seagoing steam tonnage of 35,000,000 gross tons Japan has less than 1,800,000 tons and Greece 175,000 tons—only one-eighteenth of the total—and hardly enough to be seriously considered in competition.

I have asked Mr. J. H. Rosseter, formerly both Vice-President and General Manager of the Pacific Mail Steamship Company and Vice-President of William R. Grace & Company, to give me his views on this important question. Mr. Rosseter has had thirty years' experience in the operation of ships under the American flag. Here is part of a letter which he has sent me:

"No Insurmountable Obstacles"

AT the outset I wish to state with utmost emphasis and firm conviction that there are no insurmountable obstacles to our success in competition with other nations. Against this you hear men of experience in shipping assert with equal emphasis that our disabilities, particularly the higher cost of manning, are such as to place American ships at a hopeless disadvantage. Such adverse statements, given wide publicity, naturally confuse the public mind, causing a feeling of uncertainty and hesitation very prejudicial to our aspirations.

"As often happens in large questions, the controlling factors are overlooked or neglected. The amount of wages paid is to be properly measured by accomplishment. It is true we have a larger number of officers and men on a ship than required under foreign

flags, and that we pay higher wages and provide better food, all of which costs more than our competitors are paying. That is not to be contradicted and for my part it is not to be changed, confidently expecting, as my



own experience has proven, that we get better and more efficient service from men who are well paid and well fed.

"We also suffer extra costs as a result of stupid and needless regulations in the form of tonnage measurements, etc., which should and undoubtedly will be corrected.

"The prejudice of higher costs of manning, by which I mean larger crews at higher pay and extra cost of victualling, can be fairly stated as amounting to less than two per cent of the total operating expense. This can be entirely offset, and more, by a reasonable increase in the speed of our ships and by improving loading and discharging equipment, this reducing the time in port as well as on voyage.

"Again, there is the problem of improving the method of propulsion by utilizing the great natural advantage we hold in our supply of oil fuel. As you know, even with the ordinary reciprocating type of engine we get one-third greater distance from a ton of oil than from a ton of coal, besides doing away with the so-called 'black squad,' which means a reduction of at least six men in the engine room. So great are the possibilities in the field of propulsion that I will not venture even a surmise as to what may be accomplished in that respect."

This evidence from a practical shipping man of many years' experience shows that the cost of operating an American ship, when compared with a similar ship under a foreign flag, does not make it impossible for us to compete successfully with the ships of other nations. In addition, our ships from now on are going to have the benefit of the traveling commercial agent whom we call a "Super-Cargo."

"Super-Cargo" is an old term used to designate the business manager of a ship, and the United States Shipping Board has revived this office in order to train young Americans to secure and handle cargoes on our ships. They go to sea and their duties are to give their personal attention solely to the freight on the vessel. When a port is reached their efforts are directed toward getting outbound cargo in consignee's hands, as well as to obtain return cargo, facilitate the discharging and loading of cargo, and avoiding port delays, thereby keeping the ship on voyage.

Today we have 350 ships with Super-Cargoes aboard and they are going into every port throughout the world. In a short time we will have 600 live, energetic Americans landing daily in foreign ports, distributing American exports to consignees, endeavoring to obtain all the information they can as to the possibilities in that port for other American products, and also negotiating for cargo to go back to America in our bottoms. These young men will furnish the Shipping Board with detailed information as to the possibilities of the respective ports which they visit, and this information will be forwarded, immediately upon the return of each ship, to the State Department and the Department of Commerce.

In this manner our manufacturers will receive fresh reports from every corner of the world. This method of keeping in touch with the nations from whom we buy will bring about close co-operation which will be most helpful in giving real service and in placing us in con-



stant contact with the world's markets.

These men are being trained as the Trade Scouts of the future, and the commercial opportunities they may uncover in the course of their work are limitless.

There is another important development in our shipping problem. The hurried building of ships for urgent war necessities having ended we are now turning our attention to the needs of peace. Out of this will come a better balancing of our fleet of merchant ships. There was not time to give thought or attention to such balance while the war was on. Our efforts were then centralized on the rapid delivery of types of ships that could be most readily turned out.

So urgent was the need for rapid production that all other considerations had to be sacrificed to speed. World records were broken, and we produced the ships; but such speed is always costly. Every dollar of this cost was justified, but now that we are no longer being driven by the lash of a great war emergency we must adjust our construction costs to the normal speed basis of peace. This is vital, not only in the interest of the Federal Treasury, but in the interest of the shipbuilding industry, which must now compete with the shipyards of the world, and also in the interest of the steamship companies, who are the shipbuilders' customers.

Future owners of these ships will be seriously handicapped in operation unless a very substantial write-off is made for war costs as a legitimate part of the expense of the war.

The United States Shipping Board Emergency Fleet Corporation has invested in shipyards about \$270,000,000. This figure in-

cludes loans which will be absorbed by construction progress, \$163,000,000 is the actual expenditure for plant extension and transportation.

This includes the erection of the four Government fabricating yards: The American International Shipbuilding Corporation at Hog Island, Pa., the Merchants Shipbuilding Company at Bristol, Pa., the Submarine Boat Corporation at Newark Bay, N. J., and the Carolina Shipbuilding Company at Wilmington, N. C. It also includes additions to other



A yard-arm full of youngsters from the farms, prairies and cities in training to become deep sea tars of our new merchant marine. They will be the best paid, the best fed, and the best quartered of any sailors in the world. But they will make up the difference by doing better work and more of it.

steel shipyards which were already in existence; the construction of wooden shipyards and advances made to existing yards.

This expenditure was necessary to provide places to build the ships to meet the war emergency, and for that reason the larger portion must be charged to war costs, just as will be done in the case of munition factories. Of course, there will be salvage, but it is impossible to estimate at the present time just what that will amount to.

The problem of effecting this adjustment is a very difficult one, but the lines along which we must work it out are plain. The war demand for fast construction compelled us to contract for a large tonnage of types which no one ever would think of building in such quantities for peace-time use. We have already suspended and cancelled contracts for about two million tons of such steel vessels, and a preliminary estimate of what would constitute a well-balanced fleet capable of lifting one-half the country's exports indicates that we shall be obliged to cancel the contracts for at least two million additional tons.

By a balanced fleet, I mean that we should produce such tonnage as will meet the varied requirements of our future foreign trade. If we were to complete our building program as it was developed to fit the war emergency, the future fleet would be larger than is needed to carry 50 per cent of our overseas trade. It also would contain more small and slow vessels under 6,000 tons deadweight than we could employ to the best advantage in the lines of trade which we are most likely to have. In addition, there are now building and under contract more vessels in the eight to ten thousand ton class than our needs would require and too few ships in the twelve to fifteen thousand ton class to satisfy the demands of the special trades which we must encourage.

To make the composition of the fleet satisfactory for all the purposes which it must serve, it has been necessary to cancel contracts for the small ships not yet laid down, and it may even be desirable to cancel contracts for some of the ships already laid down, but not very far advanced in their construction.

The shipyards emerge from their war activities in much stronger financial and industrial positions than they ever have occupied before. The war has furnished them the opportunity to learn the science of intensive production by actual practice upon government work. And the government has borne for them the expense of this invaluable education. It has also borne most of the cost of expanding the fabricating and building capacity of many of the yards; of improving their railroad freight terminal connections and their street railway connections; of establishing nearby housing facilities for their employees.

The expenditure of money by the government has been of great help to the shipbuilding industry, and the shipbuilders have been benefited thereby. The country is fortunate in having them in this position. At the same time, however, everyone who has watched their remarkable growth is waiting to see how great a commercial advantage they will make of their opportunity.

This country will never again have such an opportunity to establish on a solid footing the merchant marine which it wants and needs. It is incumbent on the shipbuilders and ship operators as well as the manufacturers and merchants, of the United States to seize this opportunity as vigorously as possible and put American goods where they rightly belong.

Congress will no doubt meet shortly and at that time we expect to present a detailed report with recommendations.

Looking Forward

Shaping its course from the errors and triumphs of the past, business strikes out into the future with a full realization of its responsibilities in the new national partnership

By THOMAS H. UZZELL

AT the seventh annual meeting of the Chamber of Commerce of the United States at St. Louis were present twenty-five hundred business leaders, several men of the highest governmental authority, and the economic interests of the masses of the American people. The conference was deeply influenced by an appreciation of the needs of those who were not there in the flesh—the public.

Herein a big message! We now see forecast a closer union of the economic interests of business, government and the people.

This new desire to consult the common interest in seeking a solution of our gravest business problems was expressed in practically every one of the notable addresses heard at St. Louis. Each was a plea for a better common understanding. Each one said: "Taking the people into our confidence is not yielding to sentiment: it is good business."

President Wheeler in his keenly interpretive opening address sounded the key-note of the mental attitude of the new era of business. He stood on the platform of the big Coliseum which three years ago resounded to the emotional explosions of a great political convention. This made his prefatory remark that his purpose was not to inspire his hearers but present them with the "cold facts" of the business situation today, peculiarly impressive. He spoke of the increase of public regulation and supervision of business and explained that it was to the highest interest of American business to welcome it. "Co-operation with public authority," he declared, "will produce intelligent and constructive regulation . . . It is my belief that more general regulation of all commercial services is in keeping with the readjustments that are in progress . . . Nor is this necessarily contrary to the interests regulated."

A Better Doctrine

HAD the St. Louis conference done nothing more than clarify the issues of the great conundrums of the railroads and the merchant marine, it would, in the opinion of many, have been thoroughly justified. And what was the big idea on these questions? Director General Hines said: "From the public standpoint the past has been unsatisfactory. The government is in effect a partner in this enterprise." Senator Cummins, the most active exponent of railroad reform in Congress, declared: "Upon the proper maintenance and efficient operation of the railways depend not alone the comfort and convenience of the people, but their whole industrial and commercial existence. The interest of those whose savings are invested in railway securities is very great, but it shrinks into insignificance when compared with the interest which the people as an entirety have in the successful, economical use of this instrumentality of commerce."

And how about ships? The brass tacks of this subject were reached and hammered in in the most spontaneous, spirited and con-

vincing address of the entire four days—that by Homer L. Ferguson, President of the Newport News Shipbuilding and Drydock Company. He made a vigorous two-fisted plea for an American merchant marine which would make it possible for us to handle our own world trade and not have to depend on a "middleman who is simply in the livery stable business."

And upon what most of all did this shipbuilder, who is "really an engineer and only a business man by accident," say the whole business of ships depends? Upon the dollars which the masses of our people will spare from their pay envelopes and Saturday night checks.

The New Capitalists

POPULAR finance! Good heavens, until now how fixed and stubbornly held has been the popular idea that "high finance," "capitalism," the limitless power of money, is the chief foe of the people's welfare! Witness now on this subject the words of Paul M. Warburg, a financial authority whose technical skill and breadth of understanding are second to none in this country: "If, owing to drastic taxation, the large incomes may no more be relied upon to furnish the bulk of the investment funds necessary to finance our economic growth, we must look to those possessed of smaller incomes and subjected to only moderate taxation to produce the main portion of the savings available for investment. This can be done only if we succeed in letting the gospel of thrift penetrate deeply into the minds of the masses."

"The war loan and stamp campaigns began this education. Will it be possible to convince the working man, the farmer and storekeeper that it will be necessary for him to continue to finance his employer when private enterprise resumes the place occupied by the government during the last few years? Unless this can be accomplished, our future progress is in serious danger of being retarded."

In other words, this "terrible power of capital" is now by force of circumstances being held out to the people—and business proposes to educate them to take it! The cure of the evils of capitalism is, apparently, to make all of us capitalists.

Nor will these prophets of the new business era let us stop there. Herbert S. Houston, Vice-President of the publishers, Doubleday, Page & Company, New York, shot forth an even more drastic message concerning the dynamic possibilities of popular finance. He would have our people invest largely in the great business of world trade. American dollars from the masses of our people, he declared, must go forth to the ends of the earth to finance our new export adventure.

"The market for these vast credits," he said, "is in the collective mind of America which controls the greatest amount of wealth that has ever been in the possession of any nation in history—a purchasing power so vast

that it is incalculable. If one could only tell what the generous use of this power would mean, what a moving and convincing story it would be! It would be a fitting climax to the chapters that have been written by the five national loans. In this concluding chapter the mind of the country could be quickened with the truth that labor and capital have a common stake in making a market for foreign securities, for on that market their own prosperity and the peace of the world must largely depend."

Secretary of Commerce Redfield also hit the nail on the head. The creative, expanding energies of business, he declared, have passed beyond the retarding grasp of legal control. Our lawyers have been unable to catch up with our engineers. We now see, Secretary Redfield explained, that competition was destructive and uncontrolled combination dangerous. American business of the future, therefore, must be more co-operative than competitive. But how co-operative? The future pattern of business co-operation, according to the Secretary of Commerce, cannot be reduced to the language of the statute books. If it could be made a law, depending upon the police power for enforcement, it too would fail. Why? Simply because we must now be guided no longer by the legal evolution, but by the mental revolution of the extraordinary world in which we now live.

Business—A Service

THE new co-operation, said Secretary Redfield, is "a new business standard hardly formulated, yet none the less really operative. It recognizes three industrial obligations: those to the public, to labor, and to the owners of business. The obligation of business to the public took visible form in connection with the war. Now a new conception of service is filtering down into the minds of the business managers and corporation officers and, through them, to the heads of departments and the organizations they lead."

Secretary Redfield referred to the "great concerns which have already wrapped themselves about with an atmosphere of social service," adding that "no one who talks with the men of commerce about the land today can help but catch a new ring as of a purer metal, a clearer note, a finer resonance than ever before."

In the free discussion which followed these premeditated addresses this same note of business-a-national-public-service was sounded again and again. One typical episode indicates rather amusingly how much more tonic and spacious is the atmosphere in which business men are now doing their thinking. A certain delegate wished the assistance of the Chamber's organization experts for his town. From speaking of this, he slid off into a rose-tinted prose poem of the commercial charms of his particular town as compared with neighboring communities. He never finished. He seemed suddenly to realize that that kind of enthusiasm was out of order, and he sat

down in confusion. This new business atmosphere is a human one. Here is proof: During a discussion of the adjustments of canceled war contracts a story was told of an old lady who was notified by the War Department that her grove of fine old walnut trees would have to be cut down for gun stocks. She solaced herself by the thought that with the money she could buy an automobile which she had been wanting these many years. With the War Department's notice as security she purchased a car. After two weeks of sedate joy-riding the armistice came. Her trees were still standing.

A delegate, hearing this story, hastily wrote out a resolution protesting the chivalry of the conference and proposing that it pay for the old lady's automobile, "so that she may enjoy both desires of her heart to the end of her days." Laughter and applause.

The soul of a conference is often reflected as much by the shop talk at meals and in hotel corridors as in the formal addresses. So at St. Louis. One of the speakers, upon receiving a telegraphic request to repeat his address to a large New England audience, said to me: "The people of this country are going to be most interested in this meeting because it shows that business leaders are eager to examine the facts of their new social responsibilities and because it is evident that they are reorganizing themselves to seek legislation, not in the interest of a class, but in the interest of the public."

"The greatest revelation of this conference," another pilgrim to St. Louis assured me, "is that business has discovered a new asset—public opinion. Before the war it was supposed that public opinion was the concern only of government; now business men see they too are dependent upon the same check and the same inspiration."

Another delegate, a member of a prominent firm of expert accountants which has offices in five cities, after each session of the conference withdrew to his room and, for the benefit of his associates at home, talked into a dictaphone the substance of what he had heard. "I am telling my people," he told me, "that the most wholesome effect of conferences of this sort is that it shakes a man out of the intense and often narrowing mental preoccupations which result from too close absorption to the problems of his office and factory."

A Bigger Outlook

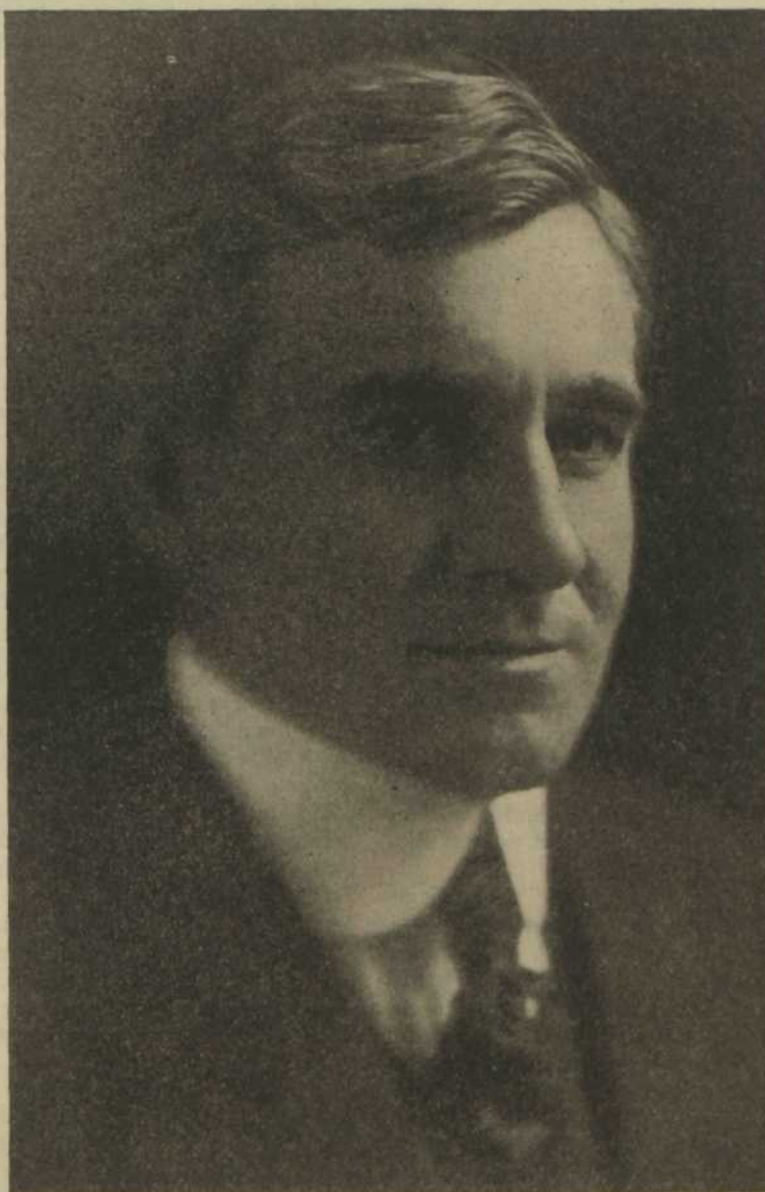
THIS get-together is helping us to a broader and, therefore, a better view of our own business. It delivers us from the suspicion that we are the only fellow that is having difficulties. Instead of brooding over the fact that Foreman Smith is burning too much coal or that Salesman Clark hasn't yet reported, we get interested in the greater problems of society as a whole. Such interests are good worry chasers. They are stimulating.

"And get this: The general public are not the only ones who are to benefit from the social enlightenment of business. Business itself will gain by it. The new co-operation between business and the public, or the public's representatives, the government, will mean a distributive profit. We have Secre-

vote of every member of each local organization, a more popular expression of opinion on the great economic problems of the day was invited.

And American business is at last to have a home! It was stated officially at St. Louis that this new building will be dedicated to the labors of American business men during the war. More fitting is the dedication given at St. Louis by President Wheeler in an informal talk to the field men and staff members of the Chamber.

"These new visions of ours," he said. "How deep is our hope that they will be fully realized in concrete ways! This new home of ours in Washington can serve no nobler use than to remind us constantly of this day's aspiration. Let us make it a great hive of industry where all of us are giving the best that is in us to form a new and fruitful union between business and the government and between business and the people."



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Homer L. Ferguson

Newly elected President of The United States Chamber of Commerce

tary Redfield to thank for expressing this idea neatly as he did.

"I really think I see the beginning of the end of the old ruthless era of dog-eat-dog. The war marked the turning point. A compromise between big, confident, well-armed enterprises and the smaller ones who, though less strong and less confident, are also doing good work may cause some losses; but the ultimate result to the masses of our people will be simply incalculable. It is a sobering thought, and this conference has brought it home as never before to the business men of this country."

Definite steps in the direction of the new goal were taken at St. Louis. A plan was approved for reorganizing the administrative machinery of the National Chamber along more representative and democratic lines. This plan will give American business a more direct contact with the economic needs of the nation. By urging at St. Louis a wider extension of the voting privilege on the Chamber's referenda, with the aim of securing the

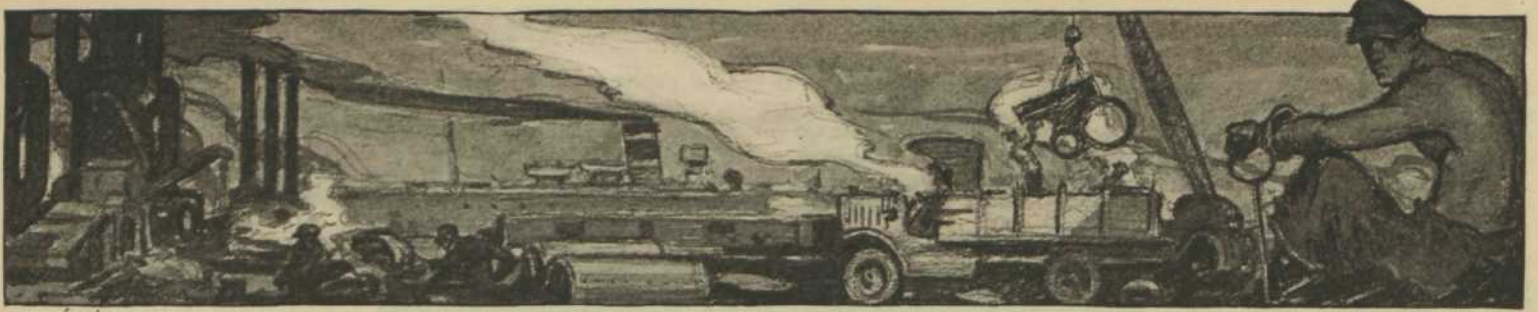
to a friend of similar inclinations must consult the regulations for the tax on works of art or he will get into trouble over the frame. When a man purchases a gew-gaw he will discover that the definition of jewelry makes a distinction between things he wears "on his outside" for the world to admire and things he keeps in his pocket, and if he is embarking upon matrimony he will have the tax gatherers at his elbow as he chooses the wedding ring. Something of the distinction between articles that go into the pocket and those that do not will trouble baseball players, whose uniform trousers and steel-shod shoes are taxable but whose jerseys are free of impost unless they are ornamented with special devices. The really careful man, who has gained a competence to leave to his family, will see that when he dies he leaves among his effects a set of regulations regarding the inheritance tax to prevent his heir from becoming involved with the collector.

"How to" books have found a new and fertile field for their growth.

Lots of Manuals

MANUALS have taken a new turn. The volumes in the latest series as issued by the Government now distinguish the taxability of apple pie à la mode and chocolate sundaes, not to mention the gradation of soft drinks from milk, natural style, to colored beverages that simulate in hue and bouquet their predecessors of pre-war times.

Of course, Regulations 45, about income and profits taxes, has become every business man's *vade mecum*. It is only the beginning of an essential collection. If one owns a gas or oil well, he gets a special manual with 100 pages of scientific data and charts, the whole bearing the imprint of the Government Printing Office. The owner of a department store, or a notions shop, seeks the volume which explains luxury taxes. The man of wealth who has gratified a taste for pictures and contemplates selling a few masterpieces



Rice Goes on a Rampage

RICE is the staple of food in Japan, being both bread and meat for a large part of the population. It has been their national and individual dependence to such an extent that it is almost venerated. To waste it is to commit a crime against tradition and popular feeling. There is a national belief that living on rice has a sacred significance and privilege. Rice is the food of the Japanese gods and under the old order of things rice-

farmers outranked everyone in social caste except persons of princely estate.

Even in ordinary times rice, being as yet a product largely localized in the Orient, has a more erratic price than wheat. The markets for wheat get stabilization from the widely scattered areas of important production. The centers of rice production more nearly come under uniform climatic conditions, with no chance for drought in one quarter of the world to be offset by a favorable apportionment of rain and sunshine in an opposite quarter.

In the latter part of the war period the price of rice became a matter of political importance in Japan, where rice constitutes 80% of the food of a working man. Last August it stood about 250% higher than in 1914, after being lower in 1915 than it had been since 1910. Rice forthwith became the question of greatest economic importance in the Japanese empire. It got attention from the emperor, government officials, political leaders, courts of justice, banks, stock exchanges, farmers, railroads and steamship lines; in a word, from everybody in a population of 60,000,000. The "rice crisis" was on.

The crisis had for months been gathering head. Imports of wheat from the United States had been stopped, and rice from India and French China was controlled by European belligerents. In January of last year the government had sent emissaries to consult the rice exchanges. All sorts of half-way measures were taken. Speculation was rife. The exchanges were repeatedly closed and as often reopened. By August, fishermen's wives began to form mobs and demand redress. Later, over 200,000 people joined in demonstrations.

By September the cabinet was overturned and a new one formed with a commoner, for the first time, as premier. Toward winter "riceless" days were inaugurated by the people themselves. Temples opened rice stores. Rice queues became common, and people kept places in line all night after providing themselves with blankets for the long watch. Feeling rose so high that even the speculators divided into "honest" and "dishonest" groups and on one occasion the former were attacked for their honest dealing. Rice was once more demonstrated as the most important thing in all Japan.

The rice problem still remains with Japan. The Japanese agriculturist, with his average "farm" of 2.64 acres on which he practices intensive cultivation, may get assistance through improvement of seed, better irrigation methods, and the like, and Korea and China may supply more rice. On the other hand, Manchuria and Siberia may soon furnish such supplies of wheat as to lead the Japanese to abandon part of their time-honored diet of rice. Meanwhile, in the final analysis, all things Japanese continue to center in important degree around rice.

Fisherman's Luck

COSTS are variable things. According to the Federal Trade Commission the cost of production for a case of canned salmon in 1917 varied from \$1.20 to \$26.50, depending upon the

packing company and its conditions of operation. Fisherman's luck, it seems, enters into the fortunes of corporations.

Work and the "Weaker" Sex

WOMEN found new occupations during the war, as everybody realizes. But the variety of their new employments is not so well known.

An English engineer declares he can build a battleship from keel to aerial entirely with women's labor. A New York maker of aeroplanes planned to have them in every part of his plant, from drafting room to assembling shop.

A Counter-Invasion

A FRENCH FAIR in Germany will have something of poetic justice to it. It will be held in June or July at Mayence. About 300 French manufacturers will have exhibits.

Well, Anyhow, We'll Fly Across

LUXURY TRAVEL across the North Atlantic in four-funnel steamers of great speed flourished when the war began, but for the immediate future it is to get no increase in its accommodations. The reason is a very good one in post-war days; it lies in cost.

Because of the cost of new ship construction no vessels are at present being built to replace the torpedoed "Britania" of 48,000 tons, or the "Lusitania" with her 32,000. The White Star "Homer," which totals 30,000 tons, was under construction when war began and will be finished. With the "Aquitania" and the "Mauretania" she may complete the British fleet of fast large boats for the immediate future, and with a few other ships, like the "Leviathan," which is under our flag, and a new German liner, the fate of which is undecided, may rule the ocean for several years.

The new steamers for which contracts are being let abroad are around 20,000 tons. They will carry cargo as well as passengers. They will be no mean ships, but they will have definite and immediate business purposes in view and will strive for utility rather than annihilation of ocean distance.

Just Any Kind of a Boy

ADVERTISEMENTS are meant to "pull." During the war an office manager in desperation tried to get pulling power into his desire for a messenger. The advertisement he printed read: "Boy wanted—Young or old—Either sex."

Who Owns the Railroads?

RAILROAD shareholders have been tabulated to an extent by the Interstate Commerce Commission. The tabulation leaves many questions unanswered for people of an inquiring turn of mind, but discloses some interesting information.

Taking the larger companies, which number 109, the Commission found that they had a total of 627,000 shareholders, and that 1.3% of this number held a little more than half the shares. These are the twenty largest holders of stock in each company, whether the holder is an individual or a corporation. Of the remaining 619,000 shareholders, each has an average of 75 shares.

In the individual large companies the twenty largest holders count least in that Pennsylvania, where they have about 9% of the



stock, the remainder being in the possession of 100,000 shareholders. In this respect, the Santa Fe stands second, with the twenty largest holders controlling 14%, whereas 44,000 divide the balance of the stock.

In railroad bonds, life insurance companies hold a par value of \$1,681,000,000 and savings banks have enough more to bring the total for these two classes of investors to \$2,000,000,000 out of an aggregate of \$11,000,000,000.

It Isn't Such a Small World

THE WORLD is still a large place and contains a variety of men. The manufacturer who enters foreign trade makes many discoveries that were not disclosed in his school days. For example, in northwestern India he may meet the Sethi merchants, who conduct the trade of Afghanistan. These Mohammedan traders are men of consequence, and have their connections throughout Asia. Before Russia disintegrated they had branches in Petrograd and Moscow. They have their places of business in all the central Asia markets of importance, such as Bakhara and Tashkent, and buy and sell in Tientsin and Shanghai. Clearly, such merchants are men of consequence in vast territories our own part of the world scarcely guesses at. To merchandising they add banking, selling drafts on strange cities where a European bank would look as out of place as an Afghan caravan on the Lincoln Highway.

These merchant-bankers of central Asia may add to their adventures if the Afghans persist in their warlike demonstrations against the British in India.

The Barometer of Victory

STEEL, the war metal *par excellence*, was failing Germany toward the end of things. In 1913 German tonnage was 18,800,000. In 1917 it was 16,500,000, and in 1918 it fell to 13,700,000.

Power in steel took an opposite course among the nations opposed to Germany. Between 1913 and 1918 the United States carried its production of steel from 31,000,000 to 43,000,000 tons. France, which before the war had domestic use for 5,000,000 tons, added a million to its outturn. England, bringing its better ores from Spain through seas infested with submarines, pushed its production forward by 2,000,000 tons. Thus it happened that the Germans found themselves under a constantly growing weight of steel which flesh and blood could not endure.

Ships by the Hundreds

VESSELS that can take the high seas were added to the fleets under the American flag in the twelve months ended with March to the number of 974. They had gross tonnage of 3,000,000. Five hundred thirty-eight were of steel and the rest of wood.

From Buyer to Seller

SUGAR BEET SEED was one of the articles for which we used to depend upon Europe, and sugar beet seed is one of the "little things" upon which a great deal depends. Difficulties in obtaining seed caused one of the quarrels that marked our economic condition after the war had upset all prearrangements. Raising seed for sugar beets thus came to be one of our war industries. It was conducted to such good purpose that we now have a slight

surplus over our own requirements and have become exporters, selling 60,000 pounds to Japan.

Piling up That Trade Balance

WAR TRADE and peace trade are two different things, as the records begin to show. Our demands on South America, for example, were a vast deal greater in February, 1918, than in February, 1919. In that month last year New York received \$35,000,000 worth of imports from South America; in February this year the figure was \$27,000,000.

In exports the story is just the other way around. In February, 1918, we were hoarding our industrial strength and letting South America have only what we were very sure we could spare and what we had ships to carry. Consequently, New York shipped in that month \$20,000,000 worth of goods. With a different face on the world, and South America eager for the goods it had not been able to obtain in the period of dearth, New York shipped a value of \$36,000,000 in February, 1919.

The Weapon of the Rixatrix

SCOLDING is not argument, the Federal Trade Commission says in referring to the brief of a concern that has entered the courts to oppose an order of the Commission, and in its support quotes a judge to the following effect: "Argument" is a connected discourse based upon reason,—a course of reasoning tending and intended to establish a position and to induce belief. "Scolding" is mere clamor, railing, personal reproof. Argument dignifies the orator and instructs and convinces the auditor. Scolding relieves somewhat the hysteria of the scolder, but only amuses or irritates the hearer. Argument is the professional weapon of the lawyer; scolding that of the *common rixatrix*." Some friends of the Commission will wonder if it has taken this little sermon to heart.

Troubles of the Wheat Prophets

WHEAT causes some disagreement among the doctors who attempt a diagnosis of its probable course during the next year. Our own Food Administrator several weeks ago said that, because of shipping difficulties and Europe's needs, wheat would sell at \$3.50 if there were a free market. The United States Wheat Director more recently concluded that the fund which supports our government's guarantee of \$2.26 a bushel until June of next year would probably not be drawn upon, as the price would in all likelihood not go below the guarantee. An eminent Scotch statistician now comes forward with a prediction of an "all-around reduction" in the market price after next October, but to reach this conclusion he has to count upon an abundance of ocean shipping by October, and everybody does not share the gentleman's optimism on this point. The leading British authority merely contents himself with doubt about Mr. Hoover's reference to \$3.50 as a potential price.

When the "doctors" cannot agree, *quien sabe?*

Youth Will Seek Its Fortune!

JAPANESE are sturdy voyageurs. Recently, when many Japanese were going to Brazil, a patriarch of ninety gathered his descendants to the number of forty-four and at their head fared forth to South America in search of new adventures and a fresh fortune; he already had a very handsome competence stored away.

"The Letter Killeth—"

As is proven by the case of the anti-trust measures which still glare at business, refusing to realize that changing commercial ethics have long since cured the old evils

By WILLIAM C. REDFIELD

Secretary of Commerce

NOTHING is more certain than that there has been a great change for the better in the ethics and methods of trade since the anti-trust laws came into being. These laws were the expression of the moral judgment of the country against certain business procedures deemed injurious to the body politic and considered to lack sound social sanctions.

The moral purpose of the country being thus expressed and its will enforced against combinations in restraint of trade, standards of action were developed which were far in advance of the standards or the lack of standards that had preceded. The thought of the business world was arrested and was made to fix itself on the social obligations that underlie all business. This conception of business in its social relations and as one of the factors directly affecting human lives has greatly advanced and its growth has established new business customs and higher business standards so that we would no longer tolerate the cruder and coarser methods of former days.

More and more as I have gained acquaintance with the business of the country as a whole I have become convinced that the advance in ethical purpose, in moral perception, in a higher grade of practice in the business world has separated it widely from the actual conditions with which the anti-trust laws were originally enacted to deal, so that the form and substance of these laws as they stand in literal form relate in no small part to a past which, if not dead, is at least dying.

It is so true as hardly to need statement that the principles and practices of business are in a state of constant evolution. Commerce consists, in the mass, of the aggregate number of innumerable transactions, most of them small, but all of them the expression of human thought and of human consent. These acts which create commerce are not enforced acts. They arise from a multitude of causes as various as the needs of mankind and they express the final choices of individuals. As human needs expand and human vision becomes larger the commerce which is created by the satisfying of human demands changes. As moral horizons become broader the moral standards alter. In short, commerce is a living force and shows all the elements of life in growth, variety and adaptability. It is in ceaseless process of change. It is not today what it was last week. It will not be next month what it is today. It is on the material side the result of the constant action and reaction of the human spirit.

Laws to Fit Conditions

IT follows as a matter of course, therefore, that law must from time to time be readjusted in its relations to this living force. The law we are discussing is the expression of the popular judgment respecting what we call "trade." But if the law remains unchanged, trade, which is constantly changing, will grow away from the law.

It is obvious that there must be progress of law side by side with the growth of business ideals so that the former shall not misrepresent

the latter and so that the commerce of the country may have the freedom necessary for its expansion as a living force. We may not put or keep the new wine of trade into the old bottles of law.

In the effort to keep pace with the life of trade interpretation of law may go far afield. I think there is cause to wonder whether it is morally sound to construe a law frankly intended to prevent combinations in restraint of trade so as to prevent co-operation in promotion of trade. Must one not pause some time for thought before assent can be given that such a use of the law or such an interpretation of it is ethical on the one hand or helpful to the country on the other?

As Witness the Constitution

FEW, however, if any, will contest the principle that the law itself must alter and grow with the change and growth of the subject with which it deals. Our own National Constitution is witness in this respect. Almost immediately after its adoption it was found necessary to amend it in important respects and within recent years changes have been made in it which involve the adoption of ideals and practices which would have seemed strange to the makers of the original draft.

I have always felt, as a man of business, that there are two assumptions common to our public discussion of commercial matters which are essentially wrong. One of these is that competition is of itself so desirable that it should be restored, if need be, by force of law. The second is that the attitude of suspicion toward business is an evidence of wisdom.

Few will deny that there are elements of good in a strictly competitive state of business. But these statements are half truths and, therefore, are sometimes misleading. If "competition is the life of trade," everyone knows or may know that in its extreme form it may also be the death of trade. If we attempt to end monopoly by insisting upon competition, we provide that which, if it goes to the full normal limit, will itself create monopoly.

Competition at its full means the survival of the fittest; that is to say, the survival of the stronger—stronger in brains, stronger in purse, stronger in any controlling economic factor—and this process inevitably tends to the absorption of the weaker and the strengthening of the strong. It is, of course, affected in its results by many more elements than we can here catalogue, but it remains true that if we could and did restore a state of pure competition and continued it for a time sufficiently long to permit competition to do its normal work, the net result would be inevitably the aggregation of industrial and commercial power in the hands of the mighty. In its essential character competition is non-human and is cruel. It takes no account of human loss and suffering. It is made the excuse for stern dealing with labor. It is impersonal, cold and hard. It succeeds by

force of hand and brain, by the power of wealth, or of skill. It lacks heart. It is ruthless, deadly. It does indeed

force invention and is not inconsistent with general national progress, but its progress is made over industrial graves and the successful course of a purely competitive state is strewn with commercial corpses. These derelicts are the weak and the small businesses that have not been able to keep the pace with the strong. If to avoid these evils we proceed so to control the course of trade that these normal results of competition shall not follow, we cease to have pure competition and pass into another commercial atmosphere.

It is a matter of history which none will deny that the combinations into the so-called trusts were an effort to escape the normal fruits of ruthless competition. So far from competition being the antagonist of combination, it is the parent thereof and historically was proven so to be, for competitive conditions worked out normally into such business hazards and industrial wreckages that combination was instituted as an anchor to windward to hold the industrial ship safe, or rather as a rudder to steer it in security along its course.

The remedy, however, was as bad, if not worse, than the disease. If competition was ruthless, and in its results cruel, combination proved to be both. And, as the path of competition was strewn with the commercial dead, so also is the way along which combination ran. Many of the forms which combinations took were found economically unsound. The assembling of a group of weaklings did not make a strong whole, nor could one or two efficient groups added to an inefficient aggregate carry successfully, through their earning power, the drag of the weaker elements. Promises of profits through economies of operations were often found illusory, because the weaker units were so essentially unsound that the economies made could not restore them to industrial health. Furthermore, this essential weakness of combinations stimulated the very competition they were created to avoid and opened the way to the formation of independent concerns often of such competing power that they threatened to bring the law of competition into effect against the combination and to destroy it.

Ills That Cured Themselves

NAY, it was not merely a threat; this thing actually happened more than once, so that the combination itself was the cause of competition, in which condition its latter days were its worst days and it fell by the wayside. The byways of commercial history are strewn with the wrecks of combinations. Even some of the trusts which survived and seemed prosperous bear the scars of the battle.

It is singular to me how completely these economic facts have been lost to sight and how earnestly men have striven to destroy by law that which carried within itself the seeds of its own destruction and which has strewn the business path with failures. More are the trusts that have failed than those which have succeeded. Men were not easy to get

who were competent to manage the vast aggregate and the stimulus of keen personal interest in industry was lost when the industry which had been almost domestic in character became part of a country-wide system. The trust in its grosser forms was doomed to economic failure by the action of economic, moral and social law, and the statute was but the expression of these forces bringing more rapidly to a close that which would, without the statute, doubtless have come to naught in time. Indeed it may truly be said the statute was a friend to business, saving it from pursuing an economic course which led to industrial death.

The trouble with much thought that has been current in this respect is probably that we see the few visible combinations that succeeded and fail to remember the manifold others that had gone to commercial perdition.

It has been said with a cynical note that trusts which had been dissolved were more prosperous than the trusts themselves had been, and a parody upon a well known song has run to the effect:

Hallelujah! Thine the glory!
Dissolve us again.

Yet the cynicism of these critics was only equaled by their ignorance, for it is perfectly normal that combinations which contain the essential weaknesses common to great combinations should, when resolved into more manageable units, be more profitable than when combined.

So out of the state of competition grew the state and the failure of combination, and men and legislatures having no deep knowledge of the essential principles of industry impetuously thought that by destroying the latter and restoring the former all would be well. Yet the truth is that the coming of the combination or some other means of escape from the extreme destructiveness of competition was inevitable if the industries of the country were to survive, and if we could, as we cannot, restore unlimited and extreme competition broadly throughout the land we should enter upon the path which might indeed mean commercial success, but in so doing we should lead to the creation of the great predominate units which are the results of competition when it is worked in full. The survivor in the bitter contest of competition is far more dangerous to the community than was the combination, for the latter was essentially weak and subject to the control not only of statute but economic law, while the survivor of the economic battle is economically strong and

may, if not controlled, easily become monarch of all he surveys within his own field.

Is there then no way out? Is the reaction from combination to competition the sound and normal thing? It seems to me that it is not and we should not dare to restore or to

of co-operation in retail trade. I refer rather to a new business standard hardly formulated yet, but none the less really operative, whereby industry and commerce recognize three-fold obligations and endeavor frankly to adjust themselves to them. These obligations

are those to the public (including the government), to labor, and to the owners of the business—that is to say, to business itself. These obligations make a true trinity, one and indivisible, inseparable, distinct, yet interwoven.

The obligation of business to the public took visible form in connection with the war. Back of the armies and making the armies possible lay the unselfish sacrifices and efforts of industry. Without our factories we not only could not have won, but could hardly have fought at all. The industrial effort in the war will some day be revealed, I trust, in its true proportions, and when so shown will go far to shame those who retain suspicions of the patriotism of commerce, if any such are left. But the effort of industry was equaled by its sacrifices.

True, before we entered the war, certain of our industries, but far from all of them, made exceptional profits, but when the burden of war fell upon us this was quickly changed. Many an industry worked for our government without profit at all. Some were actually wrecked by reason of their service. Men of affairs left the helm of their business to subordinates and gave invaluable services to the country, which was quite unable to remunerate them in due measure. The ripe fruit of years of thought and experience was placed at

the disposal of the country and those whose duty it was to call upon the business world of America to aid the government never called in vain.

There had been in the past far too much of separation between business and the government, for which no doubt business itself was somewhat at fault, not, in my belief, because of evil purpose, but because the evolution of business thought as regards the relations between itself and the nation was incomplete and imperfect. This evolution progressed far and fast during the war and now has reached a point in which, I think, business feels a sense of a new relation, a definite obligation to the government as something of its own, something in which it has an interest, something in which it seeks a voice, and something in which it justly feels it has a right to be heard as regards its own place and power in the body politic.



A few years since no cabinet officer would have dared say an unkind word against the anti-trust laws. Secretary Redfield declares here that improved business morals have cured so many evils that the measures are now very much out of date

attempt to restore by force of law a condition so threatening to the community as unrestrained competition is. There is open to us a course which contains alike the advantages of competition and those of combination and lacks the weaknesses of both. It is not easy to define because it is multiform and various. It appears differently in different places. It is in some places different in kind and in others different in degree. But on the whole we begin to see that co-operation is the end toward which our progress leads and in which the energies of commerce may find full scope without being destructive on the one hand or dangerous upon the other.

By co-operation I do not now mean the development of co-operative societies in which Russia has been the leader and in which we have followed very distantly and with halting steps behind Great Britain and others who have taken up successfully the principle

Embargoes from the Inside

An explanation of those bothersome foreign import restrictions by three European officials in the United States with the viewpoint of an American manufacturer

THERE is a good deal in viewpoint. Most of the misunderstandings among men arise from the fact that situations and subjects lend themselves to such a variety of perspectives. It takes a broad-gauged man to see the other fellow's side and it is an able advocate who can present his own viewpoint in such a manner that the other man can see it without prejudice.

Considerable attention has been given recently to restrictions placed by European countries on importations. The NATION'S BUSINESS is fortunate in that it is able to present herewith expressions of view on the subject from the accredited representatives in this country of Great Britain, France and Italy and the viewpoint also of an American manufacturer.

The foreign representatives who explain the embargoes for their governments are John Joyce Broderick, British assistant commercial advisor in the United States; Maurice Casenave, the distinguished diplomat, who is now head of the French Services in the United States, and Lieut. David Constantini, of the Italian Embassy. The American manufacturer's viewpoint is given by John S. Lawrence.

The Case for England

By John Joyce Broderick

THERE appears to be at least one misapprehension widely prevalent in America with respect to the British import restrictions. It is apparently believed that a new list of articles not previously prohibited was published by the British Board of Trade in January last.

This is not the case. The prohibition of certain articles which appeared on the lists issued while the war was still carried on had by an administrative order been temporarily suspended up to a fixed date, namely, March 1, 1919. On January 23 the Board of Trade announced that such suspension would be withdrawn on March 1 as regards certain commodities and that their importation into Great Britain would again become subject to special license on and after March 1. The real object of the order was to give timely warning to importers and others interested so that they might have at least one month to deal with outstanding contracts and so forth.

The same order announced that the suspension of prohibition against certain other articles would continue in effect until July 1, and that those articles might come forward freely to the United Kingdom in the meantime.

No new additions were, in fact, made in the lists already in existence. Moreover, a very large number of articles appearing on the existing lists are allowed to come in under general license, while even in the case of goods subject to special application for each shipment it is not the intention of the British authorities to refuse all licenses. Each application put forward is considered on its own merits and favorable action has been taken in instances involving hardship where such action would not tend to defeat the whole object

of the regulations. Thus it was decided in the case of boots and shoes that imports would be allowed from the normal countries of supply up to 25 per cent of the shipments which took place in 1913. Complaint was made that some individual American concerns had been at the expense of building up branch establishments in England and that they would be placed in a peculiarly difficult position if they were unable to maintain stocks of goods in England to keep their branches in operation and to maintain their good will.

This plea merits and has received sympathetic consideration, but the difficulty of

The Other Side of the Fence

EVERY now and then a story bobs up in the cable news that hurts us some and perplexes us a good deal. It had to do with restrictions against the importation of American goods. Sometimes it is from one, sometimes from another of our allies. First there is a shipment of Fords held up; then it is a protest from French manufacturers against the sale of American motor trucks in their country; again it is the polite refusal of an offer of farm machinery to help in Europe's agricultural reconstruction.

Here is an explanation of the matter in words of one syllable. After you have read it you probably will not be so apt to feel as if your fur had been rubbed the wrong way when next you hear that some of the nations, who have suffered more than we, take recourse to these self-protective measures.—The Editor.

favorable action will be perceived when you remember that it is impossible for a foreign government to discriminate in favor of one American shipper as against another.

Exception has been taken to the uncertainty of the duration of the restrictions, and it is apparently feared in some quarters that they represent a permanent policy on the part of the British authorities. It is impossible, of course, to say how long they will last, since there is no certainty of the rapidity with which normal conditions can be restored in the United Kingdom; my latest information is that they will be revised September 1 by a special board appointed for the purpose, and, judging by the relaxations which have already taken place and the number of items transferred to the general license list, I am convinced that the desire of the authorities is to eliminate all uncertainties in connection with these and similar matters at the earliest possible moment.

I presume it is quite clearly understood that the restrictions do not seek in any way to discriminate against the United States, but that they apply equally to the manufacturers of all other foreign countries. This can be easily seen by comparing the average values of American shipments of the prohibited goods to the United Kingdom in the years preceding the war with the shipments which she received from other countries.

The total of such values, indeed, forms but a fraction of the grand total of all America's

exports to Great Britain and the British Possessions. America's exports to the United Kingdom alone in peace times represented in value one-fourth of her total exports, while her exports to the Whole British Empire represented, both before and since the war, 50 per cent of her total trade. In the year 1916 her shipments to the British Empire were valued at \$2,174,000,000. Shipments from the United States to Great Britain, Canada, British East India and Australia during the war period from August 1, 1914, to December 31, 1918, amounted, according to figures compiled by the War Trade Board, to \$10,678,000,000.

The total exports of the United States to all countries for the same period were \$22,331,000,000. That is to say, 48 per cent of the total exports in the period mentioned went to the United Kingdom and three of her principal Dominions.

American exports to Great Britain and those three Dominions during the war were \$1,836,000,000 in excess of exports to all countries for the four years from 1910 to 1913, inclusive.

In the face of this gigantic trade, I am confident that the minor disturbance in America's foreign business created by such emergency measures as import restrictions cannot be taken as a justification for serious criticism.

The Case for Italy

By Lt. David Constantini

ITALY has been one of the countries which has felt more than any other the necessity of drawing from other countries, and especially from America, the material means by which to attain the final victory won on the Piave last November. Italy has no coal, no oil, insufficient metals and food for her own sustenance, and nowadays, and for a long period to come, will have to look to America for the means of upbuilding her new life.

Our trade balance has grown proportionately against us and it is now time for us to redress. This unfavorable balance we shall be longer in bringing back to its normal basis than the other great European Powers, which are by far richer than we are, and have greater natural resources than Italy.

It is not only the export of our manufactured goods and agricultural products which have almost entirely ceased to flow abroad, but also the savings of our emigrants which forms a very important part of our trade balance with other countries, together with the gold of the tourists.

The great premium which Italy has to pay on foreign exchange, due to the unfavorable balance in the accounts, is of course one of the most important factors to be taken into consideration for the resumption of pre-war commercial exchanges or new methods to be established, making prices abroad prohibitive, and widening the already existing gap for the renewal of normal relations.

American imports into Italy have grown in greater proportion than English or French imports. French imports were augmented in

the last period 109 per cent; English, 205 per cent, and American imports reached the figure of 528 per cent.

In order to favor the renaissance of our industries and their readjustment, which may bring the nation to produce that by which to pay her war debts and re-establish the purchasing power of her money abroad, we are obliged to put certain restrictions on foreign imports so as to protect our industries during their period of reform. Should this not be done, not only would our plants now perfected and multiplied in many branches of activity inexist before the war necessarily be ruined by a powerful foreign competition on pre-existing tariffs, but our man power, of which we have lost about a million killed and permanently disabled, would then naturally be attracted by opportunities offered by other countries in helping them to rebuild their economic life, abandoning our home interests in a helpless condition.

What our government can do to protect the country's economic life these days is nothing but to follow a policy which may act as a brake to all possible momentary commercial inflation, which would be of serious danger to us. In this adopted policy one thing has been at heart with the government of Italy—to give an absolute equality of treatment to all nations, favoring as far as possible their views, with the most liberal and friendly spirit.

The difficulty of paying for imports, especially in the United States, is vastly increased, owing to the enormous depreciation of our money, which, after the withdrawal of official support from the part of your government, has reached a lower level even than in April, 1916.

The Case for France

By Maurice Casenave

THE total war cost to France was about twenty-four billion dollars. We owe outside of our own country nearly six billions. All the debts of France must be paid and will be paid. But to pay her debts France must become rich, and, as said once by a great American—Andrew Carnegie, I think—"There is only one way to become rich: work and economize." So the French people have to work and become even more thrifty than even they are by nature.

Everybody does not attain to perfection in the way of economy in France, so the government has had to remind certain people of their duty and to help certain others keep their thrifty disposition. And here we arrive at the restrictive laws.

In legislating on restrictions the French government had to proceed very carefully. French people will not be tyrannized; they do not like to be patronized, or even to be taught by their own Government. They knew they had to fight in the trenches and to bear moral suffering in the rear, and they did it—they thought that, for that fighting and for that suffering, they were entitled to some pleasures and joys, and they took pleasures and enjoyed themselves, spending their money as they wished. It was only when the Government thought this freedom was interfering with national defense that restric-

tions were imposed; and the French people did accept them at once and not without protest.

The first bill authorizing the Government to prohibit the importation of foreign goods was passed in May, 1916. But the French Government did not use at once the power bestowed upon it. It was a year later that a presidential decree put the legislation into force by prohibiting in France and Algeria the importation of foreign goods.

This decree was contained in a law passed by the French Parliament on December 20, 1916. Though the armistice had been signed, no one knew whether or not hostilities would begin again. Moreover, objections might have been raised against the actual value after the armistice of a presidential decree rendered for the time of war. The passing of the bill did away with every possible objection.

The French Government abolished January 21, 1919, the general prohibition against the importation of foreign goods and published a list of goods that can be shipped into France. The list is large and contains about all the principal articles of commerce between France and the United States.

Of course, it does not mean freedom of commerce, because importers in France have to provide for licenses and permission for shipping, but it is a first and important step in that direction.

I should say that the only important articles which are not inscribed in those lists, are certain foodstuffs and cereals; for those articles you must admit that prohibition of importation is still necessary. On account of the shortcomings of foodstuffs in Europe, they have to be distributed very carefully. That distribution is made by an International Bureau of which the chief is Herbert Hoover. How could such an important business—on which the life of millions of people are depending—be conducted if purchases were made by everybody. It would only bring confusion. And fair distribution would be rendered impossible.

The same reasoning applies to import licenses and to shipping permissions.

What would be the result of absolute freedom of commerce at the present moment? It would make commerce impossible between our two countries. First of all, there would be a fall in our exchange. You know the fall that occurred about two months ago. Very generously during the war, Great Britain offered to France the sterling exchange necessary to cover our dealings abroad. The hostilities over, that help had to be withdrawn and the result was the fall of French Exchange all over the world.

Suppose that unwise purchases were made in foreign countries; you realize the result.

You can see what is our position and you understand it yourselves. Our position is

difficult and will be, for some time more.

We are making every effort to return to normal conditions, but for the present it is impossible. You see we ask for some patience and some help from America. I am sure she will be patient and helpful.

—And for America

By John S. Lawrence

WAR uses and curtailment of less essential industries has caused a world's shortage of many of the ordinary needs of people. A survey of the world's supplies and needs indicates a heavy responsibility must be met by the world's productions, transportations and finances.

The United States with its enormous productive power and natural resources has equally enormous responsibilities. We cannot expect to export at our convenience our surpluses, but rather the most essential needs of those abroad.

Essential food must be supplied before copper, and we are fortunate in having so great a supply of surplus foods; essential clothing before machinery, and unfortunately we have never had an exportable surplus of textiles; nor have we large stocks nor an industry capable of rapid expansion. The needed surplus for those in need must and fortunately can come without serious sacrifice from domestic economy. What will be the priority in available finance and shipping space of each industry, no one can foretell.

Our ability to serve our foreign customers is seriously handicapped by embargo restrictions and failure on the part of some of our customers' governments to declare a definite policy—and such governments, we feel, hardly realize how important a definite declaration of policy is to them.

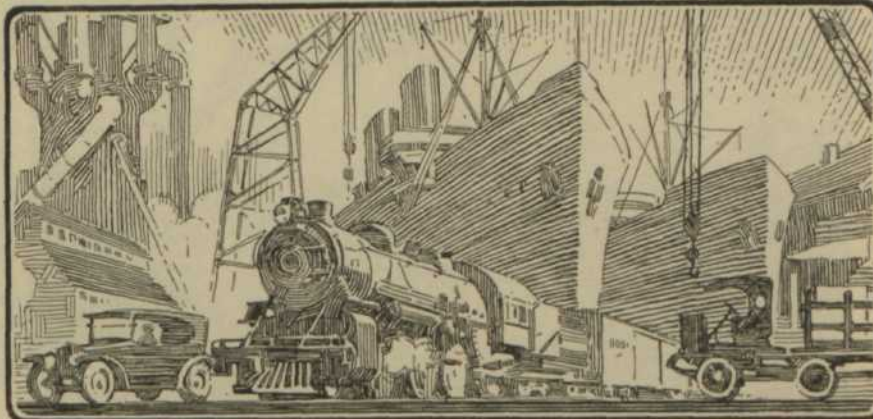
An intelligent salesman inquires of his customer, whom he knows needs his wares, "When will you be in the market, and for how much?"—that the factory might be best able to lay out its product and best care for the interests of its customers.

We ask of foreign nations, "When will you likely be in the market and what will be your likely requirements?"

Belgium forbade the import of any textiles and recently she sought to buy worsted yarns to start her recovered looms, but no yarns were available until October. It would certainly have been to Belgium's advantage to have given us some idea of her requirements. We are all anxious to give every preference to Belgium's essential requirements, but cannot rob our looms of large quantities of yarn on short notice.

America asks foreign governments in their interest to define their policies in the same way as modern buyers recognize that buying and selling is a co-operative and mutually beneficial transaction.

Then there was the shipping problem. In 1914 the tonnage of our merchant fleet amounted to 2,285,728 tons. Having to turn our shipyard shops into munition factories during the war, we could not repair the losses caused by the U-boats, or by the elements. Thus our shipping has been reduced to 1,615,000 tons. We need 6,000,000 tons to be independent of foreign ships.



Practice for the Preacher

The government has shown us the sweet uses of economy. It might substitute that policy for its present medieval methods as its part in easing the huge financial burdens of the war

By PAUL M. WARBURG

WHEN the war began, two schools of thought were dividing the social economists of the world with respect to the question of war finance. On the one side there were arrayed the apostles of the "all tax" dogma; on the other were found the preachers of the "all loan" gospel.

Experience has since proven anew that social economy is not an abstract science; but that, like law, it is a half science; whose theory must adapt itself to ever-changing conditions. I believe it is safe to say that if Napoleon came back today he would find our method of war finance further removed from what, barely one hundred years ago, were his own practices than the ways and means by which Julius Caesar supplied his war chests. The development of the steam, electric and gasoline engines, bringing all the world into close relationship by land, water and air; the emancipation of labor and, last but not least, the development of deposit and credit banking, have brought about economic changes of so far-reaching a character as to render unacceptable for us today the classic rules laid down by Adam Smith, John Stuart Mill or Ricardo, much as they fitted their own times.

In this question of loans vs. taxation the imponderables, moreover, appear to play a decisive role; the length of the war, its intensity and scope, and the economic reserves accumulated by the countries involved are factors of vital importance.

Countries starting out on the "all tax" theory have been taught by experience that it was impossible for them to raise the funds required without recourse to huge loan operations and, conversely, the "all loan" champions amongst the nations found, much to their own detriment, that it was a foolhardy and suicidal undertaking to try to finance a war without raising a large portion of its cost by increased taxation. The end of the struggle finds, then, the best economic minds in substantial agreement on the point that in financing a world war exclusive recourse must not be taken either to loans or to taxation; but that it is the task of wise statesmanship to ascertain the proper proportion to be observed in resorting to both methods in raising the necessary funds.

While it may be accepted as a benefit that through the issue of long-term government bonds the final distribution of the burden of paying the war cost is spread over a period of years and thereby shared, to a certain extent at least, by the coming generation, it must be conceded that excessive government loans, contracted for non-productive purposes, and issued faster than the savings of the people can absorb them, are contributing factors in

creating pernicious inflation of prices, which in turn constitutes the most subtle and the most inexorable form of taxation.

On the other hand, we can readily see the absurd and impossible situation that would have resulted from an attempt to raise our entire war contribution through taxation. It is obvious that any extreme and confiscatory form of taxation would destroy the very source from which government's revenues must be expected to flow.

Disastrous results follow, therefore, from excessive government loans as well as from excessive taxation. The problem and the art is, then, by applying both methods and by co-ordinating them, to reduce to a minimum the evil consequences of the excessive use of either, and to distribute unavoidable hardships in as equitable a manner as possible. That task is one not of theory, but one of experiment and practice.

The question is whether or not taxation in its present form and scope is doing undue violence to certain industries or trades, endangering thereby economic development vital for the future health and growth of the country.

In its larger aspect it calls for the further inquiry as to whether present taxation may not tend to reduce so drastically the investment power of the heretofore well-to-do classes that the spirit of enterprise might thereby be seriously affected. There is hardly any question before the country deserving a more careful and earnest study and deliberation than these.

Little Capitalists For Big

IF, owing to drastic taxation, the large incomes may no more be relied upon to furnish the bulk of the investment funds necessary to finance our economic growth, we must look to those possessed of smaller incomes and subjected to only moderate taxation to produce the main portion of the savings available for investment. This can be done only if we succeed in letting the gospel thrift penetrate

deeply into the minds of the masses. The Liberty and Victory Loan and War Saving Stamp campaigns were able to render invaluable services in this respect as long as the government was the main employer and borrower. Will it be possible to convince the workingman, the farmer and storekeeper that it will be necessary for him to continue to finance his employer when private enterprise resumes the place occupied by government during the last few years? Unless that can be accomplished, our future progress is in serious danger of being retarded.

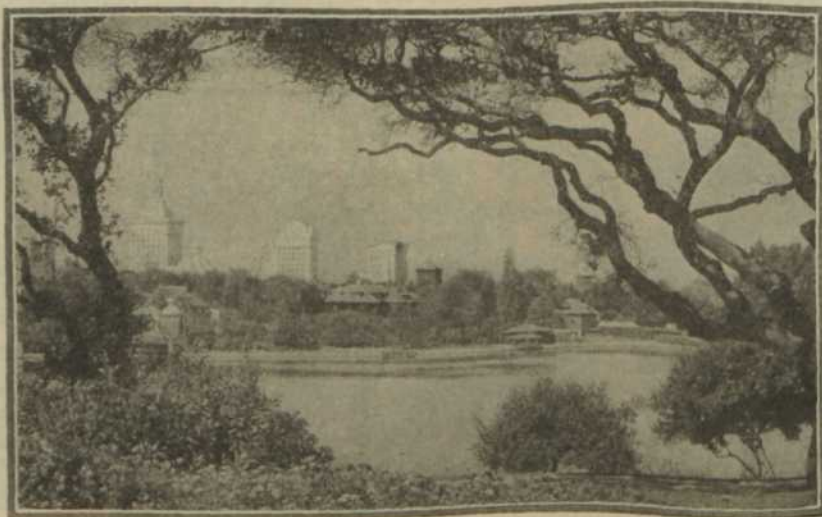
Oceans of Water

THE fundamental remedy for our economic ills lies in thrift. Thrift spells increased production and decreased consumption; the resultant saving, in goods or money, furnishing the means for the country's recuperation and future growth. The world balance sheet has been watered by the issue (for unproductive purposes) of over \$250,000,000,000 in circulation and securities. In some countries this process of inflation has gone so far that bankruptcy or repudiation remains the only way out. Happily our economic strength is such that we may confidently expect new wealth to be created rapidly enough to purge our balance sheet within a reasonable time. These new assets will then either set off or pay off our debts incurred during the war.

As this process of deflation takes place, prices will find their proper levels and our problems of equitable and reasonable taxation will solve themselves.

The creation of new assets, however, is predicted upon individual and national economy. The more we keep our "operating expenses" down the less in the production of this new wealth we squander through unnecessary consumption, and the more money we spend for permanent and productive things the faster this healing process will take its course. It is not an automatic process; it is one that can only succeed within a reasonable time if carried by a nation-wide will and understanding. It does not contemplate making us a nation of misers; but rather a nation of intelligent spenders.

The most immediate and most tangible result of successful economy would be the elimination of the item "loans on government securities" from the balance sheets of both our banks and trust companies and the Federal Reserve Banks. In eliminating these items we strike at the very root of inflation. We began the Victory Loan campaign with, it is estimated, approximately \$4,000,000,000 of undigested government bonds, not counting the billions of United States Certificates of Indebt-



edness held by our banks. Even though the Victory Loan should be absorbed entirely by the savings of the people, as we earnestly hope it will be, the cost of winding up the war, amounting to many additional billions, will still remain to be financed.

The more rapidly our national debt is genuinely paid off by saving the sooner shall we be able to get away from the necessity of drastic taxation. When once our government loans are definitely absorbed, the question of taxation for the purpose of amortization may be considered from a very different point of view. Whether it then will be advisable to tax Peter to pay off Paul will depend upon the question of whether we shall then find that by amortization we would be taxing the poor to pay off the rich, or the rich to pay off the poor. We shall also have to consider whether Paul would be likely to squander the money he would receive from Peter, or whether he would apply it to the greater advantage of the country as a whole. It would seem wise that before the government's short-time borrowing is liquidated we should not embark upon a general plan of amortization of our long-term loans. That, except as far as desirable for the protection of the price of our loans, would be unduly overloading our burden of taxation.

Relative inequalities in our general scheme of taxation may well engage our attention at this time, calling for adjustment as affecting individual groups of industries and trades. It is our duty to see to it that taxation, a problem of redistribution, does not degenerate into retribution. But we cannot play the part of helpful critics unless we boldly envisage the question as a whole, in all its scope and gravity, and unless we realize that only through the united and persistent efforts of every one of us may we expect to lighten one another's burdens.

Prosperity based upon inflation is largely fictitious. It is a fact that the pre-war dollar has been cut in two. Those living on fixed income, or those enjoying returns from savings accumulated before the war, realize that at present they own only half what they had before. And they will remain in that position unless we consciously and consistently do our share in re-establishing the purchasing power of the dollar.

The greater the waste of governments during the war the more determined must be the efforts of the individual by increased saving to counteract the disastrous consequences of the government's fiscal operations.

But a country called upon to submit to the heaviest possible burden of taxation is entitled to a very definite assurance that after the establishment of peace its government will with equal care weigh every penny it appropriates and spends, and that government will thus do its own full share in readjusting the watered balance sheet.

I believe that I am voicing the sentiment of the majority of all thinking Americans when I say that in this respect the hour calls for thorough reform. A more careful and scientific study of our national receipts and expenditures is required than has been given heretofore. Congress must relegate to the past its haphazard methods of appropriating expenditures through numberless committees, all acting independently from one another, and without having any comprehensive picture of what are the available revenues. It is high time that a national budget system be adopted, such as enjoyed by every other great country, and that before granting the appropriations called for by departments, boards or committees a thorough investigation and report be made as to what revenues may safely be counted upon.

Receipts and expenditures should be brought

into harmony and a complete budget should be examined and prepared by non-partisan experts who would make their report to the President before the latter sends the budget to Congress for further action.

Congress, it is hoped, will take the necessary steps to concentrate in a few committees the responsibility of passing upon and perfecting such budget and of securing action upon the same at an early period of the session, and before additional appropriations can be considered.

In view of the growing magnitude of our government's operations, directly and indirectly affecting the pocketbook of every citizen, it is no more than wise and just that there should be established a staff of men correlating the fiscal operations of the various departments and branches of government, and after fair-minded expert examination making their report without fear or favor. How far to apply taxation, how far to resort to loans, when and how far to apply taxation to amortization, are only a few of the many puzzling problems that would engage the attention of those charged with preparing a budget.

Presidents, Cabinet Members, Assistant Secretaries, Senators and Congressmen come and go, the intricate questions of raising our vast revenues in a scientific, fair and economic manner has come to stay. The creation of non-partisan expert bodies should be encouraged representing the permanency and continuity of knowledge and policy in matters of business, at the side of the free and rapid fluctuations inherent to the political life of a healthy democracy. Eventually we may hope to see established a permanent "business cabinet" composed of the heads of our non-partisan Boards and Commissions and advising the President in matters of technical administration to be judged from a non-political standpoint.

An Opportunity—And a Duty

Foreign trade is both of these, and we Americans will seek it with a full realization of our true responsibility to ourselves as well as to our oversea neighbors

By GEORGE ED. SMITH

President, American Manufacturers Export Association

THE time has passed when the development of our foreign commerce could safely be left in the hands of a few individuals, or a specialized class. What yesterday was the concern of only a small fraction of our business men is today of vital importance to the nation as a whole.

Ten years ago the successful American exporter was a rarity—I might almost say a business curiosity. Today, there are few industries in the country which are not interested in the development of our foreign trade.

The country in the last decade has traveled far along the road that leads to world commerce. Even had there been no European war, America would have heard the call to traffic in the markets of the world and to take its place among the great trading nations. Industrial expansion and quantity production had, in 1914, brought us to the point where we produced more than we could consume. So far as our export development is concerned, the war merely hastened our awakening to the new era upon which our commerce was entering.

In the life of commercial nations there are three well-defined stages. The first is that in which industry begins to rear its head, while the nation's chief activity is still the development of raw materials. The second is that in which industry has gained its footing and made the nation self-sufficient in the matter of manufactures. The third is the stage in which industry has been carried to such a degree that it not only supplies domestic needs but produces a surplus to meet some part of the requirements of other nations.

The past ten years has been a transition period for the United States between these last two stages. And as I shall endeavor to make clear, it is fortunate for us and for the world that this transition occurred in time for us to play the part that we are now called upon to play in healing the economic ravages which the war has left in its train.

When we were developing the natural resources of the country the pioneer's problems were the nation's problems. When we were building our great industries the nation was

compelled to take thought of the difficulties which confronted our industrial pioneers. And today, as we reach out into the field of international trade, the nation must stand behind our foreign commerce, just as it stood behind the homesteader and the men who gave us our first factories.

America's export trade is no longer the sole concern of the exporter. It is the concern of all, who wish to see America's progress continue. The manufacturer, no less than the export house, the retail merchant no less than the manufacturer had an interest in the development of our foreign commerce. The workman who builds a machine has as much interest in our foreign market as has the sailor who carries that machine to the foreign port where it is needed.

The dollar that comes from the sale of American goods abroad means infinitely more than the small margin of profit which accrues to the exporter who makes the sale. To the ship owner it means added cargo and return on his investment. To the manufacturer it means increased volume and smaller over-



Picturesque—this train of Chinese pack ponies getting ready for their long journey. But one of the animals carries only a small bale of merchandise, they require the time and labor of many men, they are apt to sicken and die, they are uneconom-

ical to feed. Here is an opportunity for American money, by building railroads in the American way, to do a service to our friends the Chinese and at the same time return home with a considerable profit. Good works are not always without reward.

head. To the foreman and mechanic it means steady employment in spite of slack domestic seasons. To the local merchant it means the new business which a prosperous community offers. To everyone it spells profit, employment and progress.

When I speak of national prosperity, I do not speak of it in the narrow sense of dollar and cents profit or even in the sense of the stimulation of our domestic activity. Our foreign trade for the next generation will be a factor in the truest sort of prosperity.

It would be unworthy of our national ideals and opposed to the fundamental principles of sound business to assume that we can afford to build up our foreign trade, ruthlessly indifferent to the progress of other nations. At this particular moment in world affairs, with the nations of the world endeavoring to repair the ravages of war and with the old landmarks of international commerce tottering, it would be the height of folly for us to develop our foreign trade without regard to the necessities of other countries. Before we can afford to think of our own advantage we must think first of the necessities of the world as a whole.

Our foreign trade, today, represents more than an opportunity. It represents a responsibility which we cannot shirk or evade.

Do not misunderstand me. I do not mean that, through a mistaken notion of what our foreign commerce represents in the present situation we should refuse to develop our for-

eign trade. There is a feeling in some quarters, that because we are prosperous while the rest of the world is in difficulties, we should lie back and wait for other nations to resume their normal activities before we push out into foreign markets. With this feeling, I have little patience and no sympathy. It proceeds from a failure to understand the essential meaning of international trade. A distinction must be drawn between selfish aggrandisement and intelligent and effective assistance, even though it happens to be profitable.

"It is great," said Shakespeare, "to have a giant's strength, but it is tyrannous to use it like a giant."

I believe that I speak for the enlightened business men of America, when I say that American business does not desire to take unfair or selfish advantage of the difficulties of other nations. It does not believe that we should use the gigantic strength of America to crush out the industries of other nations or to destroy their opportunities. It believes, rather, that our resources and our materials, great as they are, should be employed intelligently to bring the world back to a normal basis.

Those who talk of holding back our foreign trade forget that time is the most important factor in rebuilding the world. If the nations of Europe win back to normal in the next five years the loss to us and to the world will be infinitely less than if it takes fifty.

The products of American factories can and

must hasten this restoration. Our farm machinery can restore agriculture, our industrial machinery can restore industry. And the time saving and labor saving devices which stand at the forefront of America's manufactured exports can do infinitely more to hasten the resumption of stagnant business than all the mistaken idealism and mistaken altruism in the world.

When a flood devastates one of our cities, we do not wait for that city to rebuild without assistance. We do not believe in the part of wisdom to wait for the domestic industries of that city to perform the work slowly and laboriously themselves. We rush supplies from every factory, we draw on the industries of other cities to fill the temporary gap, and, by restoring the implements of trade, we enable the devastated city to resume its normal place in a minimum of time. American machinery and inventive genius belong to the world more than ever at this particular time.

The manner in which we discharge our present responsibility will be the measure of our future commerce. We can either be emergency exporters or permanent exporters, depending altogether upon the vision which we show as a nation in the new field of activity which now lies open before our eyes.

In the same manner that the local industry which has become national has brought prosperity to the local community, so the national trade which becomes international will bring prosperity to the nation.

Releasing the Blue Prints

Plans for all manner of projects clog the architects' offices. Here are ways to hasten the actual work, thereby easing the tension all down the line

By ERNEST T. TRIGG

President, National Federation of Construction Industries

THE most recent report of unemployment in New York places the figure at 100,000 men, including discharged soldiers, sailors and marines, of which number 60,000 are said to be from the building trades. These conditions have arisen, notwithstanding the fact that materials are available, money abundant and an accumulated market awaits production. We are informed that the offices of architects and structural engineers are filled with plans for construction operations, but that these plans rarely progress beyond the stage of opening bids.

The construction industry furnishes more than one-quarter of the railroad tonnage of the United States. The condition of its business is reflected, to some degree, in all of the business activity of the country. Factories are idle or are working on part time, and the necessarily restricted flow of materials to and from our industrial plants has caused much railroad equipment and many crews to become idle.

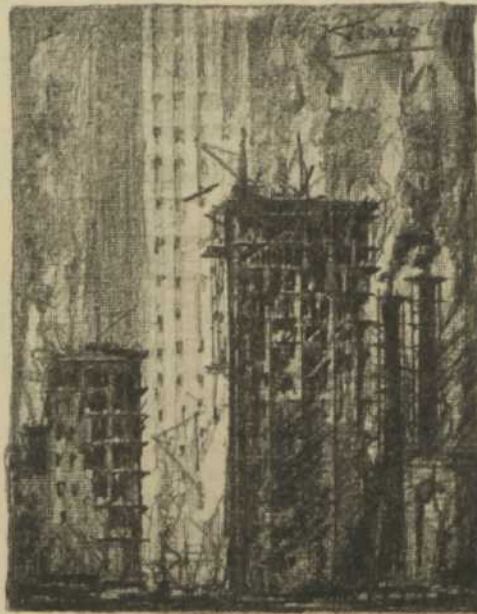
Not only are men unemployed, but the small stockholder, often dependent upon a limited savings account, is in some cases without means of support.

And in addition to these considerations we must remember that, individually and nationally, we are, in this interval of business depression, consuming accumulated stocks. It is estimated that the nation is losing a million dollars each day through its non-productiveness.

The construction industry of the United States is the largest industry in the world. Because of its size, diversity of interests, with their wide geographical distribution, and its power to employ labor, the condition of its business is at the present time of national consequence.

Building Must Begin

THE National Federation of Construction Industries has accordingly undertaken to obtain the best thought of the country on ways and means by which the normal volume of construction business may be quickly resumed. There is a consensus of opinion, corroborated by the investigation of governmental and reputable private agencies, that construction activity must begin on the present price level. This is borne out by the fact that the operation of the law of supply and demand, necessarily adjourned during the war, is slowly resuming, effecting in itself a stabilization of prices on the new level. History also teaches us that reversion to pre-war prices is exceedingly slow, if it occurs at all. We know from statistical studies recently completed by the agencies above referred to that the percentage increase of prices of all commodities in the United States since 1914 is lower than in other countries, except Australia and New Zealand; and that the percentage increase of prices of construction materials in this country is less than that of other domestic commodities. Under these conditions our com-



petitive relationship to the world's market in construction materials on the present price level is most favorable.

Approximately 80% of the cost of construction materials is labor, and it is recognized that the price of these materials cannot decline without a corresponding decrease in wage rates, which should not occur if the American standard of living would thereby be lowered.

We also know that as a nation we have a gold reserve of more than 50% of that of the rest of the world; that an increase in gold reserve, such as has occurred during the war, causes prices to rise; and that their decline will be proportionate in time and amount to the reduction of the gold reserve, which, under existing international business conditions, cannot occur in the near future. It is not so much a question of high prices as of the decreased purchasing value of the dollar.

Private building operations, both large and small, are usually financed on a credit basis. It is at this point that a great obstacle to the resumption of the construction business appears. The banking interests of the country seem as yet to be doubtful whether property valuations, rentals and prices of materials will not shortly decline; and they accordingly find it necessary in many cases to increase the factor of safety in their purchases of mortgages to such an extent as to prohibit construction.

Our trouble is psychological. The creation of confidence in the stability of present prices is of the utmost importance. Unless we are to grope our way slowly to the resumption of business, then the federal, state and municipal authorities should recognize the necessity for proceeding at once with the several construction programs authorized by the Congress, state legislatures and municipal bodies, to the end that labor may be em-

ployed, an example set for private business enterprise, and markets thereby stabilized. If the money already appropriated for such public work is inadequate to cause general resumption of business, it would seem to be a national necessity to make such additional appropriations as to promptly go ahead with and complete the work authorized.

This raises the interesting question, which has already been given some consideration, whether a national policy should not be adopted to provide against future contingencies of business stagnation, by which less public work would be done in times of industrial activity and more during periods of great unemployment. It is said that the normal amount of public money spent annually in the United States on public works is in the neighborhood of a thousand million dollars. It has been suggested that such a policy would provide a balance wheel to American business, which, working in conjunction with the Federal Reserve Banking system, would in the future prevent great fluctuations in the amount of business transacted.

Until business can be resumed, future plans for construction industry are speculative. It is a question as to what factors enter into an economic law. If social consciousness is one of them, it seems more than probable that when we shall have had time to make an inventory of the results of the war we shall find that business must hereafter proceed according to an heretofore unrecognized economic law. Or, if the law itself is immutable, we are likely to find that the conditions under which it must operate will have been so changed as to give to all purposes and effects a new law.

The war has been attended by a rapid development of social consciousness, both on the part of the worker and the employer. It is probable that one of the greatest changes in American business life will be in the new relationship to be developed between labor and management. The British have perhaps been quicker to realize this fact than we have, and we are all watching with keenest interest their experiments in this direction, through the National Industrial Parliament for the Building Industry and similar developments in other lines of business.

A New Truth Bobs Up

IT is true that we are beginning to realize that there is a Construction Industry; and that within the last few months the National Federation of Construction Industries has been created, with the thought that there should be a national organization to represent the common interests of the several divisions of this industry. It is a great composite of business activity, including the construction of residences, warehouses, factory, office and other buildings, highways, railroad rights of way, bridges, viaducts, tunnels, canals, dams, etc.; the production, manufacture and distribution of materials, equipment and machinery entering into or used in connection

with such construction; and the professional, financial, commercial, labor and consuming interests connected with construction or construction development. The construction industry has been regarded as one of the most complex, widely scattered and important of the industries of the United States; its materials are drawn from many sources; it is one of the largest employers of labor, and its financial requirements rank with the most important in the country. It includes, roughly, one-third of the business firms of the United States. It annually produces three billion dollars of additional permanent taxable wealth in this country, in the form of architectural and engineering projects. It is significant that much of the production of the construction industry is equipment to be used, directly or indirectly, in the production of still additional wealth.

The relationship of the construction industry to labor is probably more complex than that of any other industry. Upon the wisdom with which we approach this problem will depend in a large way the adjustment of existing unsettled social conditions in this country.

It is roughly estimated that the additional accumulations of savings banks and insurance companies during the war amount to from three to five billion dollars, and that these, if invested, would make good for impaired construction facilities. To accomplish this a very clear attitude on the part of the Treasury Department would be required in order to overcome the effect of the necessary re-

strictions placed on the banking institutions during the war.

The home building of the country could be greatly facilitated by the creation of Home Loan Banks, which would permit borrowing by Building and Loan Associations at a low rate of interest upon their securities, which amount to about two billion dollars, thus making these available to the home builders throughout the United States.

There was made effective in June, 1916, a war schedule of freight rates on certain building materials, which was undoubtedly planned to stop traffic in building materials and to curtail and limit civilian construction during the war. When additional revenue became necessary the Director-General of Railroads revised rates on general commodities on an average of about 25 per cent. Contrast this with the advance in rates on building materials, ranging from 25 to 300 per cent, intended to be prohibitive and effective for that purpose. Some way had to be found to stop the movement of construction materials and freight rates did it. That prohibitive schedule is still in effect. Judge Lovett's Priority Order of October 2, 1917, has been lifted, thus releasing construction materials, if and when it can be afforded to move them. The practical effect of this situation is that in general the hard and fast embargo upon the transportation of construction materials, made necessary by the war, is still in effect. The encouragement of the construction business by a reduction of freight rates, thus removing this embargo, should result in a

prompt return to active use of some 350,000 freight cars now idle and in an increased revenue for the railroads.

To place these freight rates on a peace basis would make such movement possible, and in doing so would not only give the railroads revenue for carrying construction materials, but also additional revenue on a vast quantity of other traffic which moves when construction is going on and men are earning and spending wages.

Got Your Air License Yet?

AIRWORTHINESS has come into our vocabulary, thanks to the aeronautical commission of the Peace Conference which has been formulating rules for international flying. Following analogies taken from sea-faring life, the commission has decided that before an aircraft goes abroad it is to have a certificate of airworthiness and its crew are to have certificates of competence to navigate the air. Upon demand, a foreign aircraft will have to come to earth and give an account of itself, by showing its papers. Military craft are to stay at home, except when they have special authorization from the other countries they visit. On the whole, aircraft seem to be treated like ships of the sea and as worthy of concern by international jurists, rather than like automobiles which every traffic policeman may order about pretty much to his heart's content.

What We've Learned about Rivers

The creation and operation of barge lines to aid the straining railroads have shown us the true role of our waterways in the transportation scheme of the country

By M. J. SANDERS

Federal Manager, Mississippi, Warrior Waterways, New Orleans

THE competition of the railroads helped materially to drive off the Mississippi River a thousand and one craft which at one time carried commerce thereon. It was not only the question of competitive railroad rates that helped to eliminate that waterway traffic, but it was even more so the fact that it was impossible, upon the Mississippi or any other rivers in the country, ten or fifteen years ago, to give regular, continuous, all-year-round transportation.

Just as soon as the railroads girdled this country with their lines all merchants, all manufacturers, lost the old method of waiting for transportation for carrying immense stocks to tide them over periods when there was no transportation. They began to rely upon daily communication, constant, all-year-round communication, such as the railroads could afford. Now, just as long as transportation upon the waterways depended upon weather and climatic conditions, as to whether there would be transportation for a month or two—just as long as that uncertain element existed in regard to waterway transportation, it was simply hopeless to ever expect water transportation to amount to anything of value in the country's commerce.

Certain channels on our inland streams have now been improved. The channel from St. Louis to New Orleans has permanent all year

round existence, with eight feet of water minimum, usually more. Therefore, when it was decided by the administration under the law by which the railroads were taken over from private owners and operated by the Government, that the President could have the power to buy, build and operate for transportation purposes upon certain of the navigable streams of the country, it was natural that that transportation service should of necessity be confined to those rivers that had permanent channels. Upon no other river where there is not a permanent channel can you furnish transportation of real continuous value.

Transportation upon the lower Mississippi has been in operation for eight months. It has been operating with an utterly inefficient and utterly insufficient equipment, just such as could be picked up here and there, rented mostly from the Government, tow-boats hired where they could be obtained, most of them of the type that existed 100 years ago and upon which there has been no great improvement.

We are operating with equipment that is utterly inefficient and extremely expensive to handle. Nevertheless, the Government operation upon the lower Mississippi has continued with fair regularity—a weekly service of tow-boats and three to four boats going up and down stream.

There certainly has been a constantly grow-

ing sentiment adverse to the expenditure of vast sums of money for improvements of inland streams which carried no traffic and manifested no earthly use in the body politic. It was very natural that the sentiment away from the banks of the rivers should be adverse, because they not only paid their share of the taxation to furnish the money for these improvements, but they suffered in every item of transportation for which they paid, because of the fact that there did exist rivers navigable or otherwise in certain parts of the country. This was caused by the fact that though there existed no transportation upon the navigable, or so-called navigable streams, the railroads deemed it essential to establish extremely low freight rates from river points to offset the possibility of there ever being any real transportation upon those streams, and to hold the traffic within their own control. They carried a great deal of this traffic at far below cost price, and no commercial corporation can continue doing business under cost price.

Therefore it was essential that they should recoup themselves for their losses on traffic navigation at river points, by increasing the rates to those points where there was no possible navigable stream. Consequently the poor fellows in the communities away from river banks were paying in two ways for the existence of navigable, or so-called navigable



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waterways. They were paying in taxation to improve these waterways, and they were paying on every ton of transportation higher rates than the competing cities on river banks. The establishment of through bills of lading and through rates with the river service has removed all of this natural and justifiable objection. The inland town that is not near a waterway can today obtain, and is today obtaining identically the same reduction in its cost of transportation as any city directly upon the banks of a river.

As an illustration: The Government service from St. Louis to New Orleans has through tariff arrangements from all the states directly north, east and west of the Mississippi, and any community within the reach of that tariff, which has not, I believe, reached its limit in scope, can get through bills of lading right from the door of the manufactory or from the door of the warehouse, through St. Louis down the river to New Orleans, and then to any port of the world to which there is a steamship service from the port of New Orleans.

If, for instance, the river rate is 8c lower per hundred pounds from St. Louis to New Orleans or vice versa, that same 8c reduction is carried through to all these points where the tariff exists.

The Railroad Administration is now considering further tariffs to connect with the terminus of the barge line at New Orleans and reaching out into Texas and other territory, and consignees will obtain from points in Indiana or elsewhere above, right into Texas that same reduction on the 1200 miles of river service, which is a part of the operation.

The co-operation of the railroads with the water lines, where there may be co-operation, is absolutely essential to the success of the

water lines. While it is certain that the present administration of the railroads will insist upon this co-operation, it is to my mind equally certain that when the railroads go back to private ownership and private operation, that Congress will embody legislation insisting and making it mandatory that the railroads shall co-operate by through bills of lading, by through rates, by physical connections with the water carriers to the fullest extent, and shall never in the future, as in the past, be permitted to make competitive rates with the object of eliminating water transportation.

The adoption of this policy within the last twelve or eighteen months, since the Government took over the railroads, marks a new era in our transportation. It is a fact beyond any dispute, capable of absolute demonstration, that water transportation, under proper conditions, is very much less expensive than transportation by rail, provided, first, that you have a fixed navigable channel of sufficient depth to handle a volume of traffic economically, and secondly you must have the co-operation and through bills of lading from the railroads, and finally, that you have the proper terminals whereby the transfer, the one disadvantage which the water has, from the river carrier to the railroad car can be accomplished at a minimum cost.

We are planning now with the various communities the erection of proper terminals all up and down this great lower Mississippi river. The communities are becoming directly interested and are furnishing the finances that are necessary for the erection of these terminals. There is but one point that made them hesitate about spending this money on river terminals, and that was the question in their minds as to what would happen to the water transportation when the railroads go back to private ownership.

That question has been answered in a written communication to Senator Fletcher of the Commerce Committee of the United States, by recommending that when the railroads go back to private ownership, there must be an organization providing for the continuance of the Government operation of these navigable streams. It is hardly to be supposed that when the officials of the railroads themselves, the only parties that have hitherto been antagonistic to water transportation, announce their convictions that the best interests of the country will be served by this process of continuing the operation upon the waterways until a thorough test of the economic value of water transportation has been obtained, that Congress will deny that recommendation and will fail to provide the necessary legislation. I therefore state, with all deliberateness, that in my convictions this operation of the Government upon navigable waterways has only started a new era, an era that will never close, there will never in our experience be again the knowledge that the rivers exist without transportation upon them.

Judging from our experience upon the lower Mississippi river with inefficient and insufficient equipment, it is economic, and if other channels of similar capacity in this country are developed, within five years from today, capital will be seeking investment in private operations upon these navigable streams. And not until then will Government operation upon our rivers cease.

But when that time comes the competition of private parties upon these navigable streams will be such, the facilities they offer for transportation will be such, the through bills of lading and terminal connections between rail and water will be such that the river operation so far as the Government may be concerned may cease to be advantageous.



In the old days it was an event in the life of a river town when one of the steamers whistled for the levee. People swarmed in from all directions to see the floating mass of gingerbread work swing round to land with her nose upstream. Aboard

her were dashing gamblers, an orchestra, tuneful stevedores, not to mention mere merchandise. Here is the lowly successor to that majesty. From it there should grow another fleet not as spectacular as the first, but a good deal more dependable.



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At-the-Port-of-New-York FARMINGDALE, LONG ISLAND

"The Repeat Order TRUCK"

From the Railroad On

The farmer has been helped as far as the platform of the freight depot—and left there; now his own organization is going to take him in to market

By HARVEY J. SCONCE

Fairview Farm, Sidell, Ill.

MY farm is located in Vermillion County, near Danville, Ill. My two grandfathers entered about fifty per cent of this land from the government, and I still have the original land patent for the eighty acres of land on which my home is located. This old piece of parchment bears the date 1824 and is signed by James Monroe, President of the United States.

I am still living on this piece of ground on which I was born, and therefore am in a position to know what farm life is.

In order to overcome the loss of experienced labor that left the farm for the military forces, I have employed high-school boys and inexperienced help and have actually increased production under war conditions over what it formerly was. Last year my records show that I marketed 27 carloads of corn, 10 carloads of oats, 7 carloads of wheat and 14 carloads of cattle and hogs.

Last year the government asked the farmers to increase the amount of hogs on the farm. My farm made over 100 per cent increase.

We were asked to increase the acreage of wheat two years ago, and I made a 200 per cent increase. When we were again asked last fall to grow a greater acreage of wheat than ever, I increased it another 150 per cent, until this year I have 650 acres of wheat.

The Farmer's Record

THE farmers of the country were asked to contribute to the war in every way and answered the call up to 100 per cent. When the government asked for men to fight in France, 35 per cent of all the military forces of our country came from the farms.

Yet with the drain of these great numbers from our working force, the farmers of the United States produced an agricultural crop valued at \$22,000,000,000. The greatest crop the world ever knew. The work of producing food for the allied armies was speeded up on the farms to such an extent that during the month of September last a carload of meat left Chicago for France every minute of every day, virtually making a continuous train of meat to the soldiers along the Western Front of Europe.

The impression that I get is that the Chamber of Commerce of the United States would like in some way to link agriculture with the commerce of America. The question then arises: How are you going to do business with the farmers, and agriculture in general, and whom will you go to in order to effect a combination of interests?

There is now an organization through which any business relations can be established. This is the Agricultural Associations of the various states. There are seventeen states so organized.

The farmer is a producer, and not a purchaser in the broad sense of the term. His business is a selling business and not a buying one, and the production and handling of the food of the world is possibly the biggest significant business that we have; anyway its most fundamental, whether in peace or in war.

The business of production is in the hands of millions. The distribution is in the hands of comparatively few, and, therefore, would quite naturally become organized long before the business of production.

Many of the states that have organized followed the program adopted by Illinois: That whatever may have been true in the past of other organizations, this one is formed not for the protection, or defense, or for obtaining somebody's rights, but to do the business involved in a large way, upon the ground that most of the ills complained of by the individual will disappear when business is done in business ways.

It is not our policy to fight anyone, or to antagonize, but to have a fair and square deal in the management of the business side of agriculture.

What is the business side of agriculture and where does it begin? The Agricultural Colleges and Experiment Stations, the Farm Press and other educational institutions endeavor to teach the farmer how to grow his crops, how to harvest them, treat the seed for disease as well as the livestock, instruct him in farm management, the feeding of hogs, cattle and sheep, and the feeding of his crops through methods of soil fertility and fertilization. In fact, he is instructed just how to produce the greatest crops of grain and livestock possible, but at that point they all stop.

They take him to the railroad and then tell him to look out for himself.

At this point the State Agricultural Associations are to get into the game and help the farmer get better transportation facilities, to reach better markets without unnecessary delay and to obtain for him a fair price for his product in a market that is not subjected to the wild fluctuations that have been the rule in the past.

Who'll Start the Reduction?

THE demand all over the country is for cheaper food, but at the same time labor is demanding higher wages. Where is the reduction going to be made, and who is to suffer in case the reduction is made?

In a conversation that took place in Springfield, Ill., less than two months ago one of the well known men of the state told one of the labor leaders that he could place 400 men in a certain county on the farms at \$40.00 a month, with board and lodging. The labor leader stated that over that number were walking the streets of Springfield looking for work, but that he would not let them go for less than \$60.00 a month. So far as I know, they are still walking the streets of Springfield.

This serves to show that the wages on the farm are higher than ever. Let's consider the shipping rates as compared to previous years.

Farm fertilizers, that the Agricultural Colleges instruct us to use in order that we may grow greater and better crops, cost now 30 to 60 per cent higher to transport over the railroads than it did two years ago. The

cost of transporting cattle and hogs is 25 per cent higher than it was two years ago. The cost of transporting corn and wheat is also 25 per cent higher.

If food is to be made cheaper, then railroad rates on farm fertilizers must be reduced; first, in order that greater crops can be grown per acre at lower cost of production, and, second, that the rates on the finished product be reduced in order that it reach the consumer at a price that he can afford to purchase it.

Another situation that the farmer has to contend with is the poor terminal facilities at the primary markets, especially on livestock. During the period of government railway supervision livestock shipments have been so delayed that 36 to 48 hours have elapsed between the time of departure from a station 150 miles from Chicago until the time of arrival at the Union Stock Yards, thereby causing a terrible loss through shrinkage, causing a bad condition of the animals and making it an impossibility to receive a good price for the shipment.

Even the Hogs Were Late

OUT of nine carloads of hogs and cattle that I shipped to Chicago last January one arrived on time.

You realize that Chicago is the great market for all grain and livestock shipments of the middle west. Is this always going to be the condition of affairs, or are you going to create lines of transportation to other markets along the seaboard and reduce the freight rates on foreign shipment?

The cost of production of the 1919 crop is going to be greater than that of 1918.

The cost of the production of corn in 1918 is 110 per cent higher than it was in 1913, before the war began. One item of cost operation will serve to illustrate: tractor plowing in 1912 was 50 cents an acre. In 1913 it was 52 cents. In 1915, after the war had been in progress one year, the cost of plowing one acre went to \$1.08, while in 1918 it went to \$1.43 an acre. The cost of horse feed has increased 200 per cent since war was declared in 1914 and the cost of every farming implement has advanced from 50 to 200 per cent.

This leads up to the point: who sets the price, anyway?

The farmer grows the wheat and purchases the twine to bind it. He markets the grain at the local elevator, taking the price that the elevator man gives him, who in turn receives a price from some individual or firm.

When the farmer goes to the local grocery store he purchases the flour that was created by grinding the wheat that he raised, and he pays the grocer the price the grocer is pleased to ask him for it. He has nothing to say about the price that he shall receive for the wheat he produces, neither has he anything to say about the commodity that was made from the product that he raised.

Is that a fair deal?

Does the farmer have anything to say about how much he shall receive for his cattle and

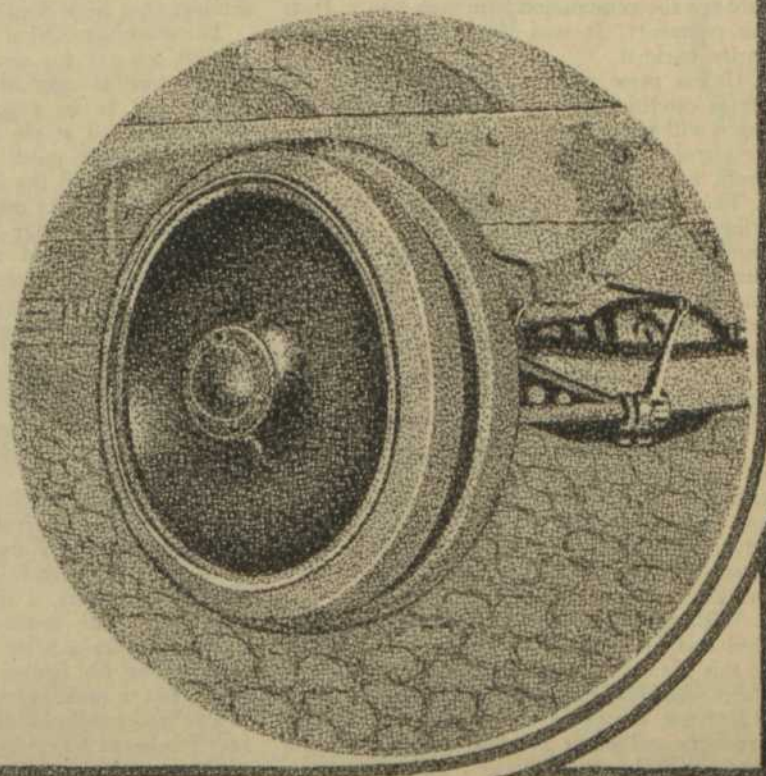
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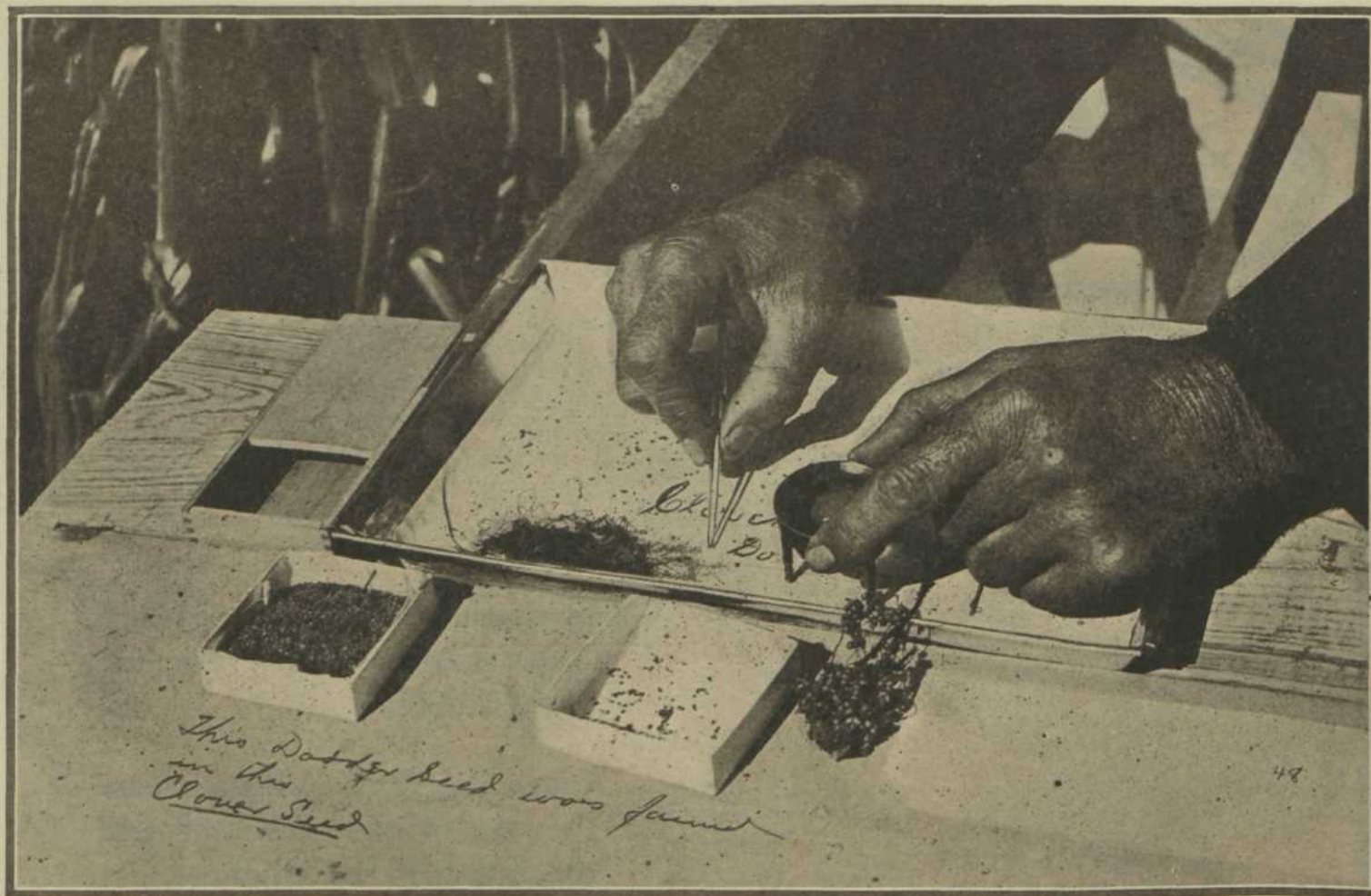
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A study in useful hands. They belong to a county agent and are busy picking out the dodder seed from the honest clover. Such agencies helped a great deal in enabling the American producer to raise the greatest crops in history in spite of the fact that the farms furnished 35 per cent of the country's military forces. And food from the same soil now holds the world steady

ducer to raise the greatest crops in history in spite of the fact that the farms furnished 35 per cent of the country's military forces. And food from the same soil now holds the world steady

hogs that he ships from his place to Chicago?

Here is a glaring illustration: An acquaintance of mine shipped a carload of cabbage from Florida to New York last winter, when cabbage was selling at good prices. After several weeks had elapsed and he had nearly forgotten that he had ever owned a car of cabbage the commission firm sent him a draft for payment. It was just 14 cents for the entire carload.

Unless these methods can be changed and better conditions of marketing be introduced, there will be no hope for cheaper food prices, or a stable price that will insure a margin of profit for the producer.

The business of the producer, the distributor and the consumer are identical, namely, to secure the greatest variety of the best food with the least waste of material and labor and at no unnecessary cost to anybody, and in this we should assume that profits should arise as a reward for doing business, rather than as a result of advantage taken.

Any advantage taken of the producer will in the long run injure the supply and increase its cost. Any advantage taken of the distributor will result in losses to the producer and increased cost to the consumer. Any advantage taken of the consumer will tend to lessen consumption and in that way injure the market.

With the Agricultural Association organized and in operation, I can see the solution to this great problem. This warfare between the producer, the distributor and the consumer will cease whenever the production of food products and other materials is placed on a contract basis.

Through the county organizations the people of any county can contract with any firm or other organization to furnish any commodity at a certain price at a certain time, and the county organization can sublet these contracts to the individual farmer, who will know that he has a guaranteed price on the product that he will produce.

The state association can contract with any foreign country for any commodity that this government or any other government may desire, and be in a position to furnish the amount desired at the time specified.

The greatest good can come from this arrangement with the handling of the meats of the country. As meat is the greatest expense of the average family, we naturally might expect to find the greatest field for work. An arrangement between the farmer, the packer and the consumer should be, and can be, worked out whereby the consumer will be able to get his meats at a reasonable price and the market stabilized to such an extent that the farmer will know with a reasonable degree of assurance that he will receive a price that will leave him a legitimate margin of profit.

A commission of the producers, one for the packers and one for the ultimate consumer should be appointed and possibly be legalized by the government. These three interests should meet once a month or as often as necessary. The producer would show that it cost a certain price to produce pork and beef, basing his figures on the cost of feeds that went to make up the product.

The packer would show that it was necessary to charge a certain price for the finished product, and the consumer would agree to

pay a certain price for the product at stated intervals of from one month to six months ahead.

With a working arrangement like this there would be no wild fluctuations of the market. The small farmer would be induced to embark in the production of livestock, as he would be assured of a margin of profit as a reward for his labor.

The packer would be given his share of the profits and a better feeling would be brought about relative to the producer and the consumer. The consumer would be assured that his meats would cost him a certain price for a certain month. He would know beforehand what his wages were for his labor, and would know exactly what his living expense would be months in advance. He would be able to provide better educational advantages for his family, would know the amount that he would have left to expend on clothing the family and furnishing them entertainment in a social way. In the end it would bring about a stabilization of affairs that nothing else could produce.

Along with this would be an intelligence bureau controlled by the National Agricultural Association. This bureau would have men stationed all over the different parts of the world to inform the National Associations of conditions in other parts of the world. The wild fluctuations of markets are due to rumors from unreliable sources that the speculators collect in other countries and use in order to force the market one way or the other.

The Board of Trade in this respect reminds one of the sewing circle in the small town. They both do business on rumors, and the public have to suffer for it.

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The nearest SERVICE distributor will give you full details of the models, from 1 to 5 tons; and you will receive a complete catalog upon request.

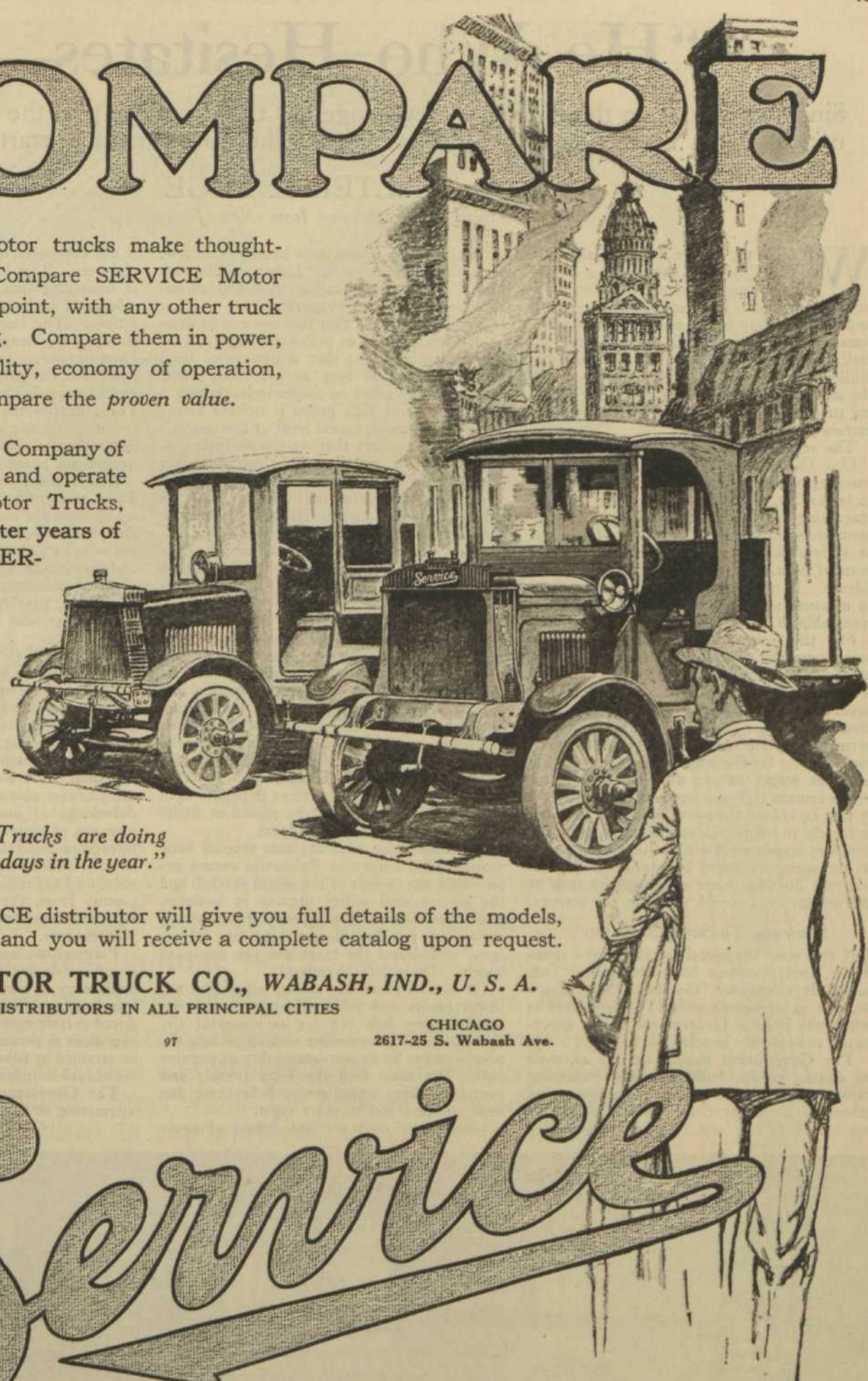
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"He Who Hesitates—"

Since we are all on the high price level together there's nothing in the altitude to hurt us; all that's needed is the right word from the government to start things moving

By **WALTER E. EDGE**

United States Senator from New Jersey

WHAT'S the matter with a Nation that has met all tests, surmounted all obstacles, accomplished the seemingly impossible in war, yet stands hesitating, inert and feeble before social and industrial problems that do not compare in difficulty with the task of feeding a fighting world, shipping two million Americans overseas and eliminating the mad dog of Berlin? Why are we marking time when we should be quickstepping to certain prosperity?

The reason is plain:

Our Government is stopping, looking and listening, watching and waiting, when it ought to be leading. At this moment we are in that stagnating rut where the business of government seems to stand still for want of courage. It suffers the paralyzing blight of timidity born of political exigency and a lack of confidence. It needs the infusion of new blood to measure up to the demand for a national leadership of business.

For this governmental leadership is the prime necessity of an hour when our troubles are purely imaginary. Buyers and builders wait for the pre-war level of prices that will never return because of wide extensions of credits and other conditions bringing about a permanent price revolution. Capital holds back, hoping for the wage to drop, not realizing that wages cannot decrease so long as prices remain high, nor appreciating apparently that to reduce the purchase power of labor is merely to invite business disaster and ruin. Industry stands stock-still. Business is poised on the springing board but does not dive for fear the inviting water of prosperity may be the mirage of a world thirsting for activity.

Someone To Say "Come On"

IN this state of mental instability the country needs business leadership—something, somebody, to say, not "Go ahead," but "Come on, I'm going—come along!" Right here is where the Federal Government has its opportunity to serve the people in a big way.

The Government should set the example by digging canals, building roads, increasing railway facilities, developing waterpower and otherwise demonstrating that Uncle Sam is not afraid to buy and to hire at prevailing

prices. Private business is bound to follow. Capital will be released. Labor will be employed. And our so-called "post-war reconstruction crisis" will evaporate.

Show the country that business can be done at a profit so long as prices are high only in a comparative way; that a new price level means nothing so long as everybody buys, sells, pays and takes on the same level; that a general level of high prices is neither better nor worse than a general level of low prices.

Show the country that we are an independent nation of interdependent people; that money is merely a measure and that no matter what one's occupation he lives by selling his wares or services to his fellowmen, and with the proceeds buying his needs from other fellowmen. Whether much or little money is the medium of exchange makes no difference so long as there is one standard and everything is in proportion.

Show the country that the shelves of the world are empty of those things which were not produced during the war because not classed as "war material," and that the best tip of the day is to increase production and stimulate consumption—speed-up the process of exchange—fill the shelves with American-made goods! And remember that the laborer is worthy not only of his hire, but also of more than a mere "living wage," and that "no sale is a good sale unless it profits both buyer and seller;" that "the pound of flesh" policy bleeds commerce to death.

Remember, too, that the new type of hook worm victim known as Bolsheviki cannot exist where the shelves of the world are full and the square deal policy obtains in business. Under conditions of prosperity his only salvation is to put the "Happy" back into "Hooligan" and desert the bomb for the city park bench. There he's harmless!

Of course, there are certain significant political events and political economic theories which cannot help but act as powerful airbrakes on any government seeking to help the people and to be an instrumentality of popular rule. We must face the facts frankly and overcome these impediments before we can hope to start and to start right.

Uncertainty over the final terms of peace

is not conducive to business confidence or social rest. The League of Nations proposal is something that can be given mature consideration without threatening economic conditions. The longer and more carefully we consider the League the further we shall get from the purely partisan atmosphere or viewpoint and the more confident we shall be of our success in the aim of permanent peace. For centuries the world has been preparing methodically and scientifically for war; it had better employ method and science also in preparation for peace and not plunge in headlong.

Again, the American Government, in addition to pointing the way to industrial activity by example, must co-operate with business. And this co-operation should take the form not only of partnership in encouraging capital and protecting and safeguarding labor, but also in removing the paralyzing hand of over-regulation, governmental prejudice and political management of business.

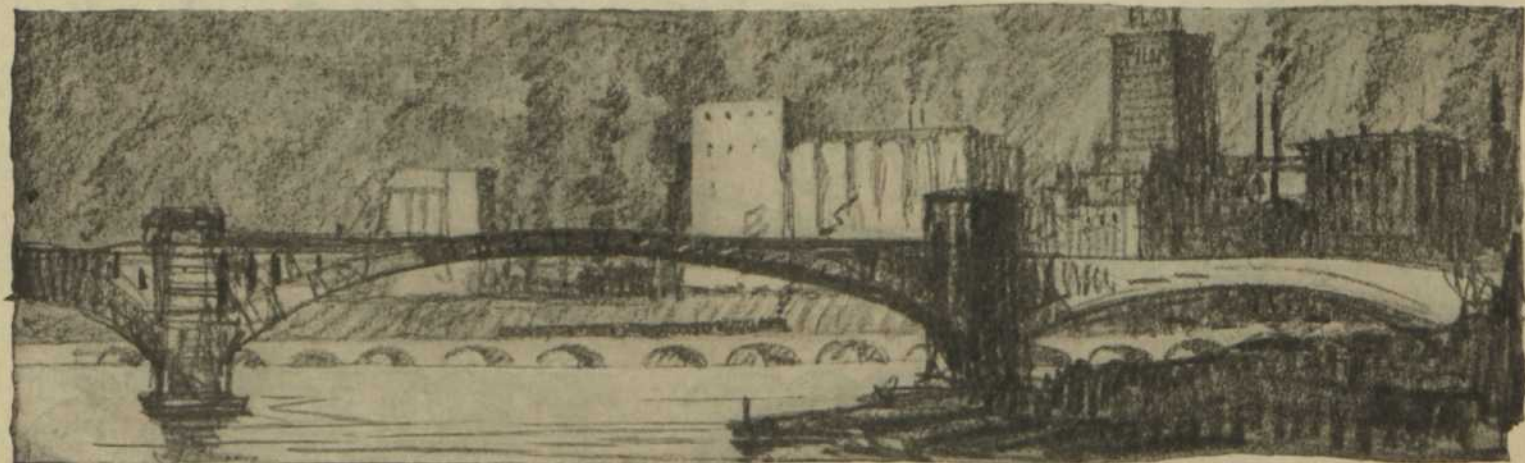
That Awful Uncertainty

GOVERNMENTAL regulation that oversteps the requirements of healthy competition and lawful acts has degenerated to governmental persecution. When the country undertook the big job of unseating militarism it found that many of these regulations and exactions were obstacles to progress. They are likewise obstacles in the similarly big undertakings of business readjustment in this new era of victory. You can't promote confidence in business and industry when there is no certainty regarding governmental attitude, no fixed national policy. You can't coax capital from the vault with a seven-year locust of theory and prejudice threatening the business tree.

Political management of business, rendered necessary during the war only because of the inefficiency to which over-regulation and governmental prejudices before the war had reduced certain essential industries, is a doubtful expedient in peace. Economic stability cannot be attained by substituting political control for individual initiative and private enterprise.

The Government has no justification for attempting to run the business of others until

(Concluded on page 73)





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Of the Craft of Sheraton and Chippendale

The Tradition of Old Cabinet Makers Survives in the Modern Filing Cabinet. Industry Has Required the Preservation of Craftsman's Ideals and the Application of it to Big Scale Production.

The reason why a filing cabinet must be the last word in finish, construction, ease of operation, and durability is not always clearly understood by the man who buys one. The reason is that a filing cabinet is a carefully designed, exquisitely made tool, meant for use under conditions that no mere piece of carpenter work could possibly stand up under.

The man who buys not a filing cabinet but a filing system, moreover, understands that perfectly; and his demand for the very best—for cabinets that shall be the Sheratons, Chippendales, and Adams of office furniture,—is founded on his clear perception of what a filing cabinet must do in his office if it is to pay its way.



Perfect cabinet work is not merely a thing of beauty, a thing that makes the office look well. Perfect cabinet work means strength, durability, absolute exactness, and the complete coordination of all moving parts. It means mortises, muntins, glue, and glue blocks instead of the nails and screws of carpentry—because these stay put. It means lumber selected for its clean-cut quality, scientifically dried—because such lumber will be, a century from now, what it is today. It means multiple-ply veneer for drawer parts and cabinet tops, not because multiple-ply is "the thing" but because a slab with a layer of chestnut for a heart, crossed on either side with bass wood, and topped with maple and quartered oak—the whole glued and forced into one substance—will keep its shape in any climate from a northern fog to a tropical swamp or the Sahara Desert.



It means drawers suspended on steel roller bearings, capable when loaded with 75 or 80 pounds of papers of being moved in and out at the touch of a child's hand, as an elevator is moved up or down by a touch on a rope.



Sheraton, Chippendale, Adam, Hepplewhite—names to conjure with. Those masters could join two pieces of wood so skilfully that one could not find the seam. Sheraton could make a chair so perfectly calculated to resist stresses that it would bear on its slender legs a weight that would break many a stouter chair. The furniture made by all of those men was a miracle of strength, beauty, and mechanical perfection. It served its purpose surpassingly.

The men who lead in the filing cabinet industry today take pride in the fact that they are of the honorable craft of Sheraton and Chippendale, and that they maintain the ideals set by those great pioneers.



If Sheraton and Chippendale could have produced their wonderful creations for the many instead of for the few, they would have done it. They did their work slowly by hand, because they had no machines. They knew nothing of the wholesale duplication of parts, nothing of giant metal forms that put parts together and hold them rigidly till dry; nothing of sanding machines, planing machines, and the like; nothing of the perfected steel designs made to play a part for which wood will not do.

But we have all these machines today; and the best filing cabinets, produced though they be by wholesale, are creations of which the greatest masters of the craft would not be ashamed. Like the cabinets of the old masters, they express an ideal and carry a message for this generation. They are truly beautiful cabinets, not alone because they are pleasing to the eye, but because they have it in them to do the great industrial work which the world order of this day is placing on them—the work of making accessible the heaped up records on which is registered the business of the world.

Philip H. Yawman
President

YAWMAN AND ERBE MFG. CO.

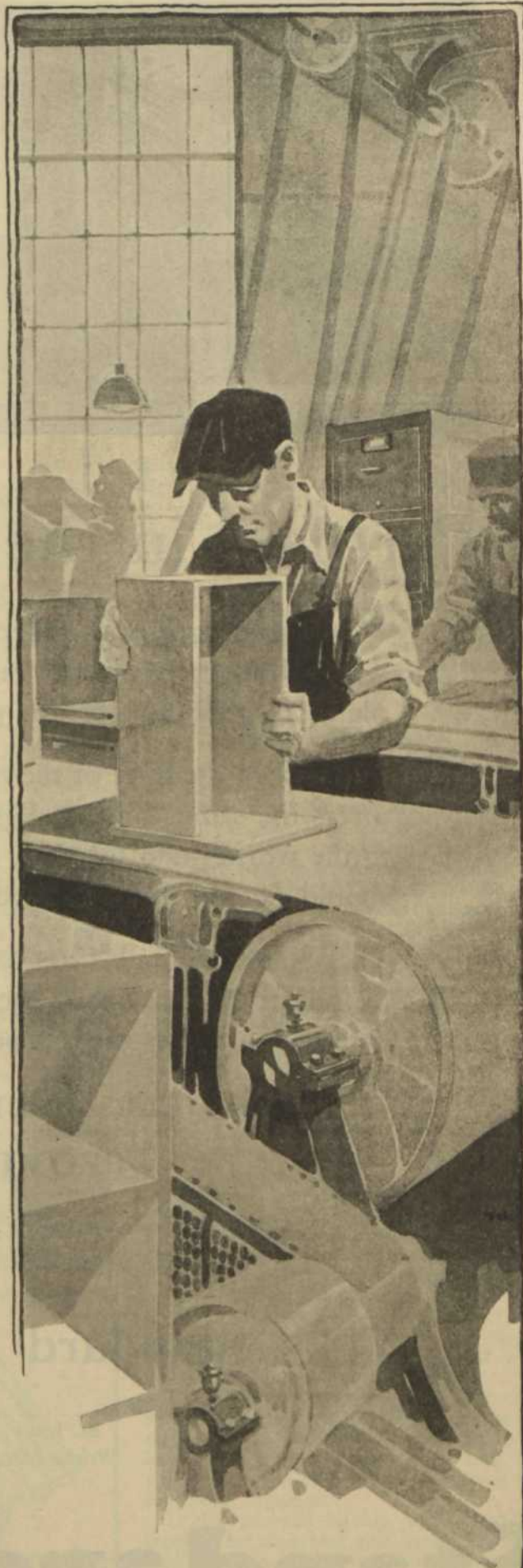
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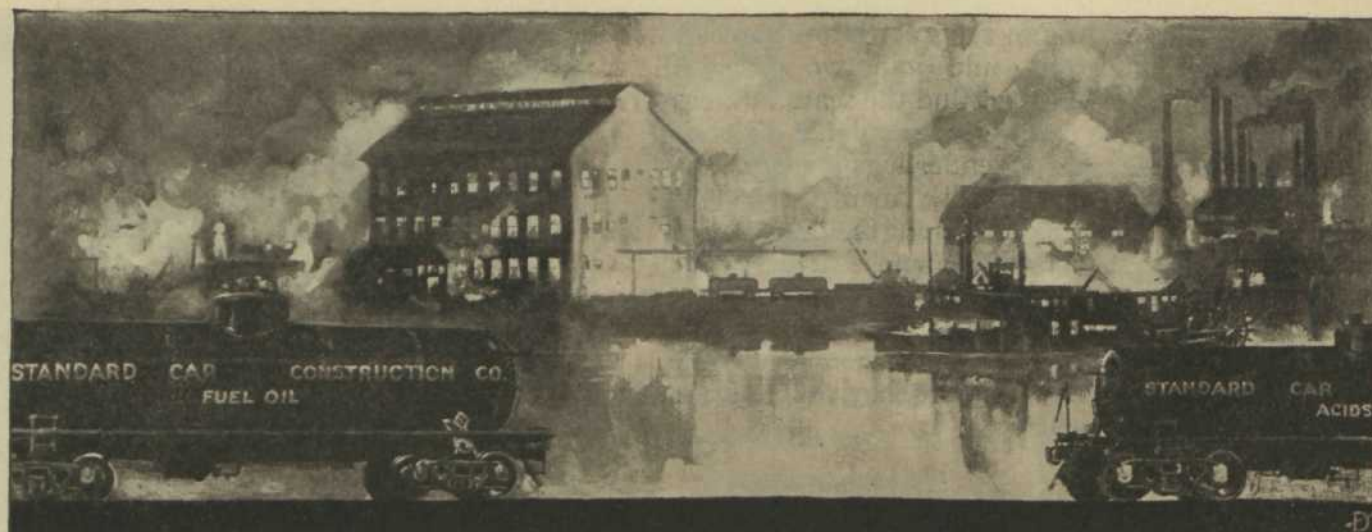
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The Dollar Goes Abroad

To finance the credits on which our foreign trade rests, private capital will find opportunities in Roumanian oil fields, Mongolian railways and Brazilian ice plants

By HERBERT S. HOUSTON

Publisher, World's Work, New York

MARKETS are the motive forces in trade. Without them production ceases. But ultimate markets are in human minds, for it is their decision that directs purchasing power. So the question of finding a market in America for anything quickly resolves itself into securing from the collective American mind a decision that creates a demand.

Let us undertake to apply, if we can, a little intelligent consideration to this great question, now of such pressing importance both to this country and to the world, of making markets for American products abroad. For basic raw materials, food, steel, copper, coal, the need is so overwhelming that it clamors to be satisfied. The elemental appeal of necessity makes the unconscious appeal to intelligence. The market is in the collective mind of peoples who have been harried and hurt by the scourge of war—a mind that reaches out, almost instinctively for the things needed to sustain life, to repair destruction and to restore industry. It is, to use the coinage of trade, a seller's market. But as commerce is an exchange of commodities, or their equivalents, American sellers must receive for the things sold one of three things, either other commodities or cash, or securities to be paid later, such as bonds, notes or other obligations, or stocks which represent part ownership in foreign enterprises.

Neither Goods Nor Gold

IT isn't possible to receive commodities in sufficient volume to even the trade score, at least until the crippled industries of the recently warring nations are able to supply their home demands; it isn't possible to find the gold necessary for that purpose, and if it were possible its use would still further disturb the already unbalanced mechanism of foreign exchange; so there remains only credit as the token of value with which to settle the trade balance in our favor.

What form shall the credit take, and how shall it be established in this country? On that point the financial doctors are so nearly in agreement that they seem to see eye to eye. They agree that commercial banks cannot finance these vast operations on a short term basis. But President Sabin, of the Guaranty Trust Company of New York, said last week that England and Germany had built up their great foreign trade on the basis of six months' credits, and that the United States must meet this competition by extending similar credits. He is right, and it is reasonable to expect that the banks will adjust themselves to these longer credits so that our manufacturers can trade abroad on equal terms with the manufacturers of the other commercial nations. But this will be a change in degree and not in kind, for the funds of banks will still be needed and used for the ordinary commercial transactions that can be closed in relatively brief periods. These banks provide the liquid cash and credit that turn the wheels of trade, but not the great static reserves which are needed to stabilize exchange and settle the enormous trade balances of nations.

By elimination the conclusion is reached that we, the American people, must establish this credit ourselves. We must do it in our own interest and in the interest of the world. And astonishing as it may seem, that is what we have been doing for the past two years, scarcely knowing it, or at least without consciously realizing that we have been doing it. The Government loaned ten billions to our Allies in the great war, giving them a credit which they used in buying our goods, and then the Government sold us its own bonds to cover the credit. That was sound finance and it helped mightily in winning the war. And it is sound finance after the war, in these days so full of the tremendous problems of rebuilding and reconstruction, but with this one essential and important difference.

We, the people, must now take these loans and buy these foreign securities ourselves and not expect the Government to do it any longer. The war is over. The peace of victory has just been imposed on Germany in Paris. And with peace must come the normal course and swing of business. This means that we must finance the credits on which, in large degree, our foreign trade must rest. We must do this to help the world and to help ourselves. Both obligation and opportunity urge upon us.

The real problem before us is one in educational and constructive salesmanship. The market for these vast credits is in the collective mind of America, which controls the greatest amount of wealth that has ever been in the possession of any nation in history. This is not a patriotic boast but a commercial fact. It is difficult to give the metes and bounds of this country's wealth. Standing in the heart of this great valley, with the oceans rimming the western and eastern horizons, one is at the dynamic centre of a purchasing power so vast that it is incalculable.

When the mind controlling it was touched with the fear that democracy was endangered, we saw that power quickly encompass four Liberty Loans, and today we see it crowning

the four with a Loan of Victory. Over 20,000,000 people have bought these bonds of the nation, an average of one in each of the 20,000,000 families. If annual income is the measure of this national purchasing power it is at least \$50,000,000,000. If ultimate wealth is the measure, it is undoubtedly in excess of three hundred billions. However considered, it is stating a simple fact, known throughout the world of trade, to say that the full capacity of that power has never yet been tested. It absorbed the billions of the five national loans, after the British, the Anglo-French and other foreign loans of at least two billions had been taken, and did it without a tremor or the twitch of a nerve. And while this was being done, the United States Treasury established direct credits for England, France, Italy, Rumania, Serbia and other allies in the war to overcome Germany, of about ten billions.

Meeting the Balance

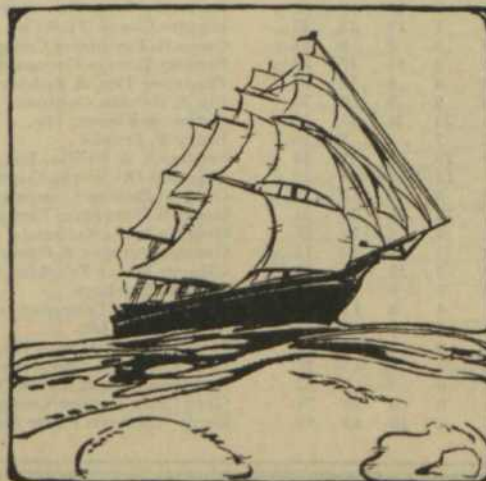
ALL this purchasing power, moreover, represented surplus and savings and not the purchasing power of our own consumption. During the month of March, our imports were \$268,000,000 and in the last nine months, they have been \$2,201,000,000. And in the same nine months, our exports reached the great total of \$4,991,000,000 indicating for the year, a trade balance of three billion, in addition to an interest balance of a half billion on our foreign loans. This great balance can be met finally, by commodities we buy from abroad and by the foreign investments we buy. The continued sale of our commodities, in any such volume, to meet urgent and expanding needs abroad, will go forward provided we make it possible, by establishing adequate credits for foreign buyers.

May we now examine the best methods of establishing those credits? Our capital can seek investment abroad in railroads, public utilities, and manifold industrial enterprises. This would provide credits for the present, for our foreign trade, and interest and dividends for the future; and it would build up the kind of enduring relations on which the trade of England has so long flourished. For the creditor nation is the faithful servant who puts its talents, not in a napkin, but out in the world, at work in all manner of ways where they can be of service to men.

The market for these new foreign securities is in the mind of the people, just as the potential market was there for these five great bond issues, lying dormant to be sure, but ready to respond to the appeal of strong and convincing argument.

If this potential market, with its proven capacity for absorbing vast quantities of securities, is to become an actual market, it must be informed, enlightened, educated. There must be undertaken at once, a powerful campaign of education.

This campaign to educate the American people to buy foreign securities must be undertaken by the bankers of the country and





Roll

of White Truck Fleets

YEAR after year this list grows. It is something more than a list of well-known concerns owning ten or more White trucks. It represents a *yearly progress in added trucks per owner*—the most extensive growth of individual fleets ever published by a truck maker.

The buyer of one or many trucks can have no better guide than the experience of those whose trucking volume affords a comparative knowledge of results.

There are now 2,774 fleets in active service, totaling 33,139 White Trucks, exclusive of all single truck installations.

The last column includes only the first three months of 1919

	1910	1911	1912	1913	1914	1915	1916	1917	To-day
Abraham & Straus	0	0	0	0	0	0	0	10	10
Air Nitrates Corporation	0	0	0	0	0	0	0	0	29
All Russia Zemsky & Cities Union	0	0	0	0	0	0	10	10	10
B. Altman & Company	0	0	8	8	33	67	92	92	93
Aluminum Co. of America Interests	0	0	0	0	1	2	2	16	20
American Ambulance Field Service	0	0	0	0	0	0	1	22	26
American Can Company	0	0	4	7	8	8	33	56	66
American Petroleum Company	0	0	0	0	0	0	0	12	26
American Railway Express Cos.	0	0	3	14	23	27	88	98	111
American Red Cross Society	0	0	0	0	0	0	0	86	122
American Steel & Wire Company	0	0	1	5	5	6	10	16	20
American Stores Company	0	1	2	9	14	14	15	29	37
American War Relief Clearing House	0	0	0	0	0	2	18	32	32
Ammen Transportation Company	0	0	2	7	8	9	11	11	32
Anheuser-Busch Brewing Ass'n	0	0	0	0	0	1	17	19	19
Arlington Mills	0	1	1	1	1	2	2	11	12
Armour & Company	0	4	30	51	63	84	165	226	259
Associated Bell Telephone Cos.	0	1	6	30	46	84	311	447	477
Associated Dry Goods Corporation	0	0	8	13	23	29	37	40	88
City of Atlanta	0	3	6	8	10	10	11	11	15
Atlanta Baggage & Cab Co.	0	0	0	0	0	0	0	6	10
Atlantic Ice & Coal Corporation	0	0	0	15	15	15	20	27	34
Atlantic Refining Company	1	4	9	31	67	86	184	275	374
Auto Livery Company	0	0	0	0	0	0	15	15	15
The Bailey Company	0	1	3	6	6	13	16	17	20
City of Baltimore	0	3	4	7	14	14	29	30	31
Baltimore Transit Company	0	0	0	0	0	1	1	20	20
The Barrett Company	0	0	0	0	0	0	11	17	19
Bellevue & Allied Hospitals	0	0	0	1	3	9	15	19	19
Stedman Bent	0	0	0	0	0	1	19	23	23
Best & Company	0	0	0	0	0	0	0	0	18
William Bingham Company	0	0	0	0	0	0	16	17	20
Samual Bingham's Sons Mfg. Co.	0	0	2	3	4	4	6	10	10
Bloomington Brothers	0	0	0	0	0	0	0	0	20
Boggs & Buhl, Inc.	0	8	10	18	23	24	24	24	23
Bohlen-Huse Coal & Ice Co.	0	0	5	7	7	7	7	7	10
Henry Bosch Company	2	8	8	9	10	10	11	12	12
City of Boston	0	2	9	12	17	18	18	19	22
Boulevard Transportation Co.	0	0	0	0	0	0	3	13	13
Bradford Baking Company	0	0	0	0	9	20	25	26	26
The Brandt Company	0	0	0	0	0	0	1	10	25
Broadway Taxi Operating Co.	0	3	12	12	12	12	12	12	12
Brooklyn Alcatraz Asphalt Co.	0	0	0	2	9	9	11	11	11
Bry-Block Mercantile Co.	0	0	0	0	0	0	0	0	12
P. H. Butler Company	0	0	0	1	1	4	6	11	12
H. M. Byllesby & Co., Inc.	0	1	2	2	2	3	5	11	17
Caddo Parish, Louisiana	0	0	0	0	0	0	0	2	13
California Baking Company	0	0	0	0	0	0	0	13	17
Carolina Public Service Co.	0	0	0	0	0	0	0	7	12
Chapin-Sacks Manufacturing Co.	0	0	0	0	0	0	0	10	21
Chero-Cola Bottling Companies	0	0	0	0	4	6	30	62	96

	1910	1911	1912	1913	1914	1915	1916	1917	To-day
City of Chicago	0	0	0	1	4	10	27	38	47
Chicago Fire Insurance Board	0	0	5	11	13	13	13	13	13
Cities Service Co. Interests	0	0	0	0	0	0	3	13	13
Clark's Bus Line	0	0	0	0	0	0	0	11	12
Clearing House Parcel Delivery Co.	0	0	0	0	0	3	10	10	14
City of Cleveland	0	2	7	14	15	19	23	32	36
Cleveland-Akron Bag Company	6	7	9	14	15	19	21	39	45
Cleveland Builders Supply Co.	0	1	1	3	4	7	10	14	19
Cleveland Electric Illuminating Co.	0	0	0	0	0	6	17	23	23
Cleveland Provision Company	0	1	2	3	7	7	11	13	15
Cleveland Transfer Company	0	0	0	0	0	0	1	19	19
Cleveland & Sandusky Brewing Co.	0	0	1	1	2	3	10	15	17
Club Cab Corporation	0	0	0	0	0	21	25	25	25
Coca-Cola Bottling Companies	0	3	6	12	26	38	75	122	179
Consol. Gas, El. Light & Power Co.	2	3	6	8	11	12	12	12	12
Consolidated Rendering Co.	0	0	0	0	0	0	4	7	17
Continental Oil Company	0	1	2	2	3	4	19	25	34
Cuban Government	0	0	0	0	0	0	0	0	10
Cudahy Packing Company	0	0	2	6	8	10	21	24	27
Culbertson Bros. Company	0	0	0	0	0	0	1	8	12
Dannemiller Grocery Co.	0	0	0	0	0	3	6	12	12
James DeMallie	0	0	0	0	1	1	16	16	16
Dominion of Canada	0	0	0	0	43	43	43	43	43
Dunn & Ruth	0	0	0	0	0	0	24	24	25
E. I. DuPont de Nemours Pdr. Co.	0	0	0	0	0	0	1	16	20
East Ohio Gas Company	0	0	0	1	3	5	5	10	11
Eastern Torpedo Company	0	0	0	1	3	3	3	5	16
T. Eaton Company, Ltd.	0	5	13	14	15	15	20	20	20
Emerick Motor Bus Company	0	0	0	1	5	9	11	14	16
Empire Gas & Fuel Co.	0	0	0	0	0	0	0	33	61
Owen H. Fay Livery Company	0	0	0	23	23	23	23	24	24
Fenway Garage Company	0	0	19	19	29	29	39	39	30
Firestone Tire & Rubber Co.	0	0	0	1	1	2	6	12	16
Fly & Hobson Company	0	0	0	0	0	0	0	13	13
Foster & Kleiser, Inc.	0	2	4	4	8	10	10	10	10
Harry V. Franks	0	0	0	0	0	0	6	16	16
Frederick & Nelson, Inc.	0	0	0	3	7	9	10	13	18
Freedom Oil Works Company	0	0	0	0	0	0	0	0	16
General Baking Company	0	0	0	1	1	1	1	10	25
General Petroleum Company	0	0	0	1	0	2	4	8	15
Georgia Fruit Exchange	0	0	0	0	0	0	0	12	37
Georgia Railway & Power Co.	0	0	1	3	7	7	18	22	24
Gilman Motor Trucking Co.	0	0	0	0	0	0	0	10	17
Gimbel Brothers	0	20	26	46	59	59	62	62	78
Glacier Park Transportation Co.	0	0	0	0	10	20	22	23	23
Adolf Gobel, Inc.	0	0	0	0	0	0	0	10	30
J. Goldsmith & Sons Co.	0	0	3	4	5	5	7	12	12
B. F. Goodrich Company	4	6	9	11	12	17	19	22	25
Goodyear Tire & Rubber Co.	0	0	0	0	0	0	3	10	15
Gray Construction Company	0	0	0	0	0	1	3	10	12
Great Northern Paper Company	0	0	0	1	1	11	13	18	18

Call

In Actual Service



	1910	1911	1912	1913	1914	1915	1916	1917	To-day
Greenfield Elec. Light & Power Co.	0	3	6	9	10	11	13	13	14
Gulf Refining Company	0	1	9	29	81	172	463	563	663
Halle Brothers Company	0	0	0	0	0	0	12	13	13
Haverty Furniture Company	0	0	0	0	2	6	7	12	18
Hawaii County, T. H.	0	0	2	9	9	9	10	11	16
H. J. Heinz Company	0	0	0	0	0	0	16	19	26
The Higbee Company	2	4	5	6	10	10	10	12	12
Hochschild, Kohn & Co.	0	1	3	5	6	8	10	9	12
Joseph Horne Company	5	12	15	24	33	39	47	47	42
J. L. Hudson Company	0	0	0	0	0	10	17	20	20
Huebner Toledo Breweries Co.	0	0	0	0	0	1	6	8	11
E. V. Hull	0	0	0	0	0	0	2	4	11
Humble Oil & Refining Co.	0	0	0	0	0	0	0	0	13
Imperial Oil Company, Ltd.	0	1	1	1	1	1	12	42	43
Independent Brewing Co. of Pgh.	1	1	2	5	5	11	28	36	42
Jones Store Company	0	2	2	5	6	10	14	17	17
Kaufmann Dept. Stores, Inc.	0	0	10	16	24	44	80	80	66
Kaufmann & Baer Company	0	0	0	1	40	45	51	59	60
Edward F. Kelly	0	0	0	0	0	0	1	3	15
C. D. Kenny Company	0	0	0	0	0	0	12	41	45
Henry Knight & Son	0	0	0	0	0	0	0	10	10
Theodor Kundtz Company	3	7	8	9	10	11	12	13	17
J. William Lee & Son	0	0	0	0	0	0	13	13	13
Fred T. Ley & Company	0	0	0	0	1	1	4	10	13
Leyte Land Transportation Co.	0	0	3	6	10	12	14	14	14
Liberty Baking Company	0	0	0	0	0	0	4	15	15
Lit Brothers	0	0	0	0	0	0	17	26	27
Loose-Wiles Biscuit Company	0	0	0	0	0	2	2	2	11
Los Angeles Brewing Company	0	0	2	7	13	14	15	17	17
Los Angeles Ice & Cold Storage Co.	0	0	0	0	0	0	5	10	10
Henry C. Lytton & Sons (The Hub)	0	6	7	9	10	11	11	12	12
McCreery & Company	6	6	8	8	8	11	15	15	15
G. M. McKelvey Company	0	0	1	1	6	8	18	18	18
R. H. Macy & Company	0	0	0	0	0	0	15	15	15
Mandel Brothers	0	9	10	15	16	17	17	17	17
City of Manila	0	0	3	3	3	7	8	11	11
A. C. Marshall Company	0	0	0	0	0	0	0	15	15
State of Massachusetts	0	1	4	4	4	5	11	11	11
The May Company	0	0	0	4	11	15	26	26	27
Mesaba Transportation Company	0	0	0	0	0	2	15	18	20
Michelin Tire Company	0	1	2	3	3	9	11	11	11
C. W. Miller Transfer Company	0	0	0	0	0	0	0	0	10
H. W. Mollenaur & Brother	0	0	0	0	0	0	0	8	10
City of Nashville	0	0	0	1	1	1	1	3	12
National Casket Company	0	0	2	10	14	15	19	21	24
Province of New Brunswick	0	0	0	0	0	0	20	20	20
State of New Jersey	0	0	0	1	1	1	1	6	16
State of New York	0	0	3	3	3	5	29	37	37
City of New York	0	1	7	11	12	13	13	13	13
N. Y. Board of Fire Underwriters	0	0	2	6	8	16	20	20	20
New York State Railways	0	0	0	0	0	1	5	10	10
Province of Nova Scotia	0	0	0	0	0	0	0	0	10
Ohio Oil Company	0	0	0	0	0	0	0	0	16
Omaha Taxicab Company	0	0	0	0	6	8	17	17	17
Onondaga County, N. Y.	0	0	0	0	1	3	5	10	16
Oppenheim, Collins & Company	0	0	0	0	20	21	27	27	30
Pacific Mills	0	0	3	4	4	7	12	14	17
Frank Parmelee Company	0	0	0	9	9	18	28	28	28
Peninsula Rapid Transit Co.	0	0	0	0	0	7	8	15	19
State of Pennsylvania	0	0	0	0	1	2	5	15	15
Philadelphia Electric Company	0	0	0	0	0	0	13	15	18
Pierce Oil Corporation	0	0	0	0	0	1	1	1	23
Pike's Peak Auto Highway Co.	0	0	0	0	0	12	15	15	15
City of Pittsburgh	0	2	9	14	14	15	15	15	15
H. & S. Pogue Company	0	0	0	0	0	0	2	3	12
Portland Sebago Ice Company	0	0	0	0	2	4	5	5	11
Prairie Oil & Gas Company	0	0	0	0	0	0	0	2	26
Progressive Transfer Company	0	0	0	0	0	0	0	0	36
Pullman Taxicab Company	0	0	0	0	10	10	31	31	43
Quaker City Cab Company	0	0	0	0	0	0	75	100	100
Remar Company	0	0	0	0	0	0	0	0	11
Rieck-McJunkin Dairy Co.	0	0	0	0	0	0	2	16	23
Riverside Taxi Service Co.	0	0	0	0	5	15	15	15	15
Rocky Mountain Park Transp. Co.	0	0	2	2	3	3	21	23	33
The Rosenbaum Company	1	1	2	11	12	33	39	43	40
Thomas J. Ryan	0	0	0	0	0	0	1	13	13

	1910	1911	1912	1913	1914	1915	1916	1917	To-day
City of St. Louis	0	0	0	0	4	6	9	10	14
Saks & Company	0	0	0	0	10	10	10	10	10
Salt Lake Transportation Co.	0	0	0	0	0	0	0	4	15
San Bernardino M't'n Auto Line	0	1	3	4	6	6	9	14	15
City of San Francisco	0	0	0	1	1	1	1	3	10
San Francisco Drayage Co.	0	0	0	0	1	3	10	10	10
Schmidt & Ziegler, Ltd.	0	0	0	0	0	0	0	11	11
Andrew Schoch Grocery Co.	0	0	0	0	0	6	6	11	11
Schulze Baking Company	1	1	9	15	17	22	23	26	31
Seiple & Wolf	0	0	0	1	2	2	10	10	10
Franklin Simon & Company	0	0	0	3	6	10	14	14	17
W. & J. Sloane	13	14	15	15	15	17	21	23	23
Smith & Hicks, Inc.	0	0	0	0	0	0	3	13	13
Spear & Company	0	0	1	9	13	14	15	22	23
Standard Oil Co. of California	1	3	4	6	7	26	67	97	111
Standard Oil Co. of Indiana	1	4	5	9	59	122	168	201	214
Standard Oil Co. of Kentucky	0	1	2	4	5	9	38	75	121
Standard Oil Co. of Louisiana	0	1	1	1	1	1	2	5	53
Standard Oil Co. of Nebraska	0	0	0	0	5	11	17	17	17
Standard Oil Co. of New Jersey	0	0	1	1	1	1	3	30	65
Standard Oil Co. of New York	2	6	18	35	68	113	230	363	450
Standard Oil Co. of Ohio	0	1	1	1	10	17	28	36	42
Standard Sanitary Mfg. Co.	0	0	2	3	3	4	4	6	10
Stark-Tuscarawas Brewing Co.	0	0	0	1	1	2	7	12	12
Sterling & Welch Company	2	4	7	7	8	8	11	14	14
Stern Brothers	0	0	8	18	18	19	21	22	22
Stewart Taxi Service Company	0	0	0	0	0	0	18	29	43
Stone & Webster Interests	0	1	1	1	2	2	8	24	31
Strawbridge & Clothier	0	0	0	2	4	4	9	15	15
Stroehmann's Vienna Bakery	0	0	0	2	2	2	10	10	11
Swift & Company	0	0	0	2	2	10	101	109	127
Tacoma Bottling Works	0	0	0	0	0	0	0	6	10
The Taxi Company	0	0	0	0	2	4	13	13	14
Taxicab Association, Inc.	0	0	0	26	40	76	151	151	151
Telling-Belle Vernon Company	0	3	4	4	9	11	11	13	20
Terminal Taxicab Company	0	0	20	36	61	61	61	82	82
The Texas Company	0	0	0	0	0	9	11	11	11
Twin City Motor Bus Co.	0	0	0	0	0	0	0	0	19
Union Carbide & Carbon Co. Int's	1	1	1	2	3	6	16	18	21
Union Oil Company of California	0	0	0	1	10	22	43	156	216
Union Transfer Company	0	0	0	0	0	0	1	11	12
United Gas Imp't Co. Interests	0	0	0	2	8	15	41	64	64
United States Baking Co.	0	0	0	0	1	2	2	11	14
United States Rubber Co.	0	0	0	1	2	5	5	9	14
U. S. Post Office Department	0	0	0	21	27	104	132	298	445
U. S. Steel Corporation Interests	0	0	1	1	2	3	5	12	17
E. H. Vane	0	0	0	0	0	0	0	5	11
F. G. Vogt & Sons, Inc.	0	0	0	1	2	3	5	12	14
Wall Street Taxicab Company	0	0	0	0	0	0	14	19	19
John Wanamaker	0	0	0	0	0	6	27	37	37
Ward Baking Company	0	0	0	0	0	12	53	76	76
Raphael Weill & Company	0	0	0	0	0	10	10	12	12
Westcott Express Company	0	0	0	0	0	0	36	36	36
Western Electric Company	0	0	2	4	5	5	9	15	19
Western Meat Company	0	0	0	0	0	0	2	11	12
Westinghouse-Church-Kerr Co.	0	0	0	0	0	0	0	6	30
R. H. White Company	0	0	0	0	0	1	4	13	13
J. G. White & Co., Inc., Interests	0	1	1	1	1	1	4	16	19
White Bus Line Company	0	0	0	0	0	0	5	12	16
White Taxicab Company	0	0	0	0	0	0	2	11	11
White Transit Company	0	1	1	2	6	9	19	29	31
E. H. Wiener Company	0	0	0	0	0	0	0	0	12
Woodward & Lothrop, Inc.	0	1	1	3	3	4	7	13	14
Geo. Worthington Company	0	0	1	2	2	2	4	8	10
Yellowstone Park Transp. Co.	0	0	0	0	0	0	106	112	112
Yosemite Transportation Co.	0	0	0	1	7	7	25	27	24
Zettelmeyer Coal Company	0	0	1	2	2	3	4	5	10
Zumstein Taxicab Company	0	0	0	2	2	6	10	20	25

54 194 495 1001 1704 2601 5147 7436 9227

THE WHITE COMPANY

Cleveland

by the manufacturing and shipping companies interested in foreign trade, on a clear-cut commercial basis. The Investment Bankers Association of America have already made a promising beginning by appointing an extremely able Committee on Foreign Securities, under the chairmanship of Mr. Thomas W. Lamont, of J. P. Morgan & Co. The Council on Foreign Relations has appointed a committee to work in close co-operation with Mr. Lamont's committee. It seems to me that if the American Bankers' Association, the Foreign Trade Council, The American Association of Export Manufacturers and the Chamber of Commerce of the United States appoint similar committees immediately and have them all function through Mr. Lamont's committee as a co-ordinating agency, the machinery would be created for organizing and carrying forward this campaign of education.

It is not possible to outline in detail the exact lines this campaign should follow. But it would include, of course, the basic things to which reference has been made. Publicity work, based on the intrinsic interest and value of the news of this great movement; publication work, aimed primarily to reach the investment and commercial bankers of the country; and advertising work directed to the education of the general public.

What a moving and convincing story this interrelated campaign of news, of publications, and of advertising would spread before the country. It would be a fitting climax to the chapters that have appeared during the five national loans, a final chapter on the necessity of building up and maintaining the commerce of the world as the surest basis of permanent peace. In this concluding chapter the mind of the country could be quickened with the truth that Labor and Capital have a common stake in making a market for foreign securities, for on that market their own prosperity must largely depend. Investment in these securities, it could be fairly urged, would yield three direct returns: interest to the investor, wages to labor, and dividends to capital; and beyond these direct returns, the common benefit of a national prosperity in which all would share.

And who could be more effective salesmen in disposing of these bonds than the keen alert soldiers who have just returned from the firing line? They could follow up, as vital parts of this campaign of education, the broad appeals made in print, re-enforcing those appeals by vigorous personal presentation. These soldiers, like the scholars who bore the New Learning from Italy over all of Europe, are coming back, bearing into every part of the country the touch and feeling of the great foreign war, of which they have been a part. Among them are thousands of high school and college men—the best kind of material for bond salesmen. Let these men be trained quickly to this essential service, for surely nothing could be more fitting—nor more effective than to recruit this new army of peace from the army of war.

At the End of the Seventh Year

THE Chamber of Commerce of the United States has just rounded out its seventh year of service to American business. The founders of the Chamber set about their task with unusual vision, but even their expectations have been exceeded in the organization's development and growth.

Experience has demonstrated that the time

has come when it is necessary to expand the Chamber's organization to accord with its increasing responsibilities and obligations and to assure representation for every division of commerce and industry. With this situation placed before them delegates to the recent annual meeting of the Chamber at St. Louis recommended that the organization's Board of Directors proceed to bring about such structural changes as are needed.

The plan of operation under which the Chamber has conducted its affairs proved well adapted to conditions arising at the time the Chamber was established and during the period prior to the war, but the war brought new conditions and the changes contemplated will change the structure from one of general character to one of divisional operation and responsibility. In making such changes all activities of the Chamber will be so co-ordinated that each will be related to the whole activity of the Chamber in a manner to guard all policies and precedents that have characterized it during its seven years of life.

A Cross Section of Business

THE structure of American business, if cross-sectioned, is found to consist of the following definite and distinct departments, and it is therefore proposed to reorganize the Chamber's machinery to conform to these natural divisions by the creation of departments to operate for and in their interests:

Industrial production—embracing manufactures, mining and even perhaps agriculture, if agricultural interests some day should desire to federate with organized business.

Domestic distribution—embracing all wholesale and retail distributors of merchandise.

Foreign commerce—embracing organizations that have to do with exports and imports.

Transportation and communication—embracing associations related to railroad operation, telephone, telegraph, public utilities and water transportation, both ocean and inland.

Finance—embracing all associations of banks and bankers.

Insurance—embracing fire, life, casualty, liability and marine associations.

These six departments include virtually all of the elements of commerce and industry. A seventh within the Chamber would be that of Civic Development, which would constitute a clearing house for beneficial activities in this field as differentiated from commercial development, which latter would be abundantly cared for in the other divisions.

The reasons suggested for these structural changes are:

1. That the increased responsibilities of the Chamber throw a burden upon the president, the chairman of the executive committee and general secretary, which can be borne only with increasing difficulty as the organization grows and its activities multiply.

2. That the post-war development of American business brings problems that were not present at the organization of the Chamber, since every division of American business finds its problems multiplied and operations greatly increased as a result of the new world position into which the United States has come, a position necessitating new economic laws and creating new national and international relationships.

3. That during the years of the Chamber's existence it has become increasingly evident that the present internal organization does not invite a reduction in the number of associations devoted to general national interests, but rather has seemed to encourage an increase in organizations for special purposes due to a feeling that the Chamber generalized so much

as to be unable intensively to study the requirements of specific divisions of commerce and industry.

4. That to study intensively and to operate for these divisions with present machinery would place a burden upon the executives too great to be borne by volunteer officers or by the present employed executive in whom a comprehensive understanding of all the needs of all divisions of commerce could not be reasonably expected.

The creation of these departments and the choosing of competent executives and staff for operation will be accomplished with only such delay as may be necessary to obtain the proper men.

There will thus be provided machinery for an intensive study of all the problems relating to each division of industry and there will be built up between the departments of the Chamber and the interest it is particularly charged with representing intimate relationships. In technical matters each department will function for its own singular requirements and in all general matters, or in functions that overlap or that are interlinked all departments will be brought together by using the same machinery for obtaining the opinions of business that has been found to be so effective and beneficial during the last seven years.

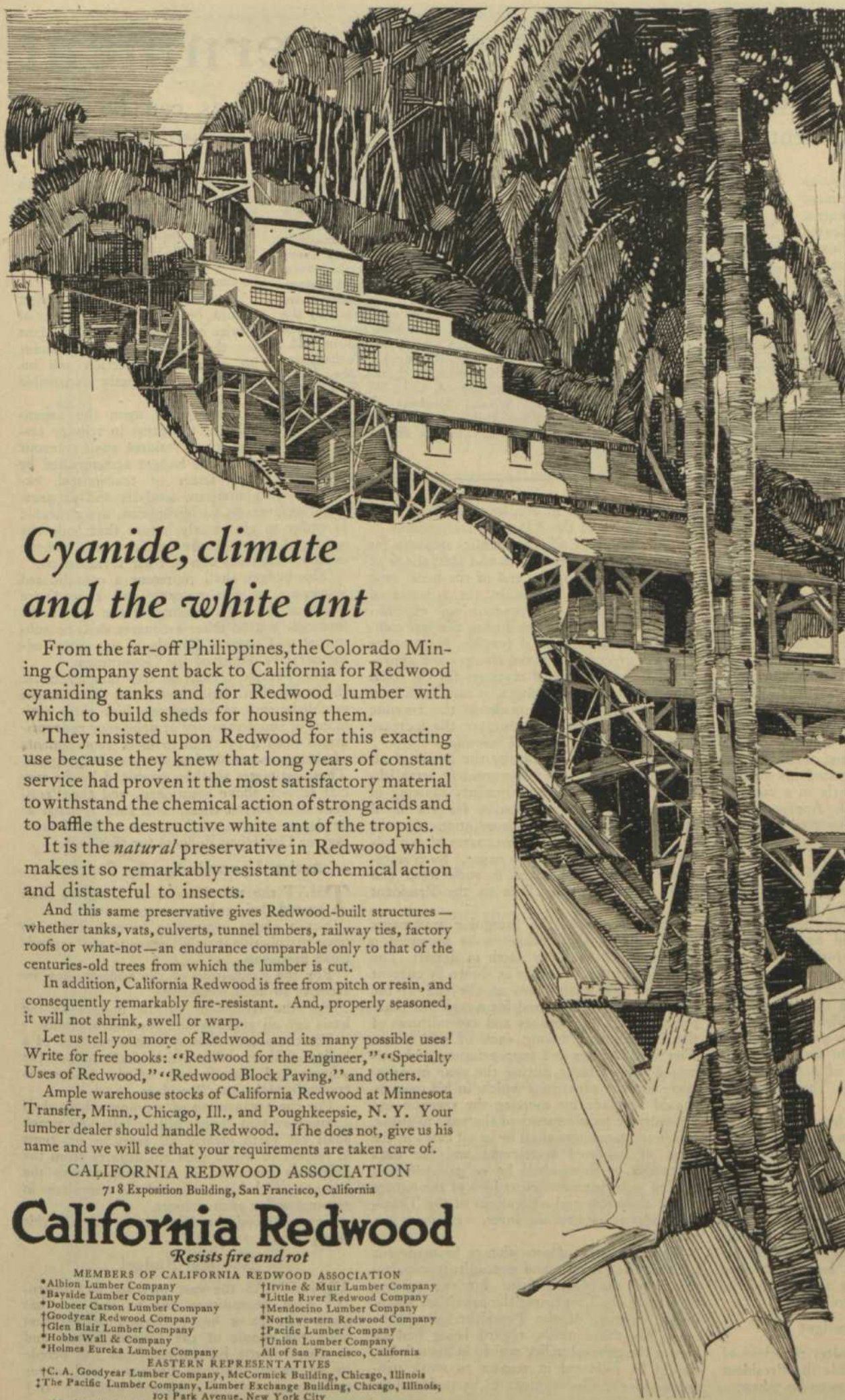
There is to be considered, also, at an early date by-law changes to strengthen the departmental organization and to provide for their definite representation in the Board of Directors.

Besides approving plans for a reorganization delegates to the annual meeting sanctioned a plan for erecting a permanent and suitable building at Washington to be used as the Chamber's national headquarters. It is proposed that the building be constructed as a memorial of the part American business men took in the war and will stand as a monument to American industry and its helpfulness in carrying out the war program and in making possible the splendid achievements of the American military and naval forces.

Japan's Growing Commerce

JAPANESE industries and commercial enterprises were multiplying ten times faster at the end of the war than in 1914. In 1918, of course, the number of promotions that got no farther than the paper stage was much larger than in the earlier year, and there is at present no way of eliminating these from the figures. On the face of the statistics, manufacturing showed the greatest rate of growth. In 1914 about \$14,000,000 of new capital went into manufacturing, and in 1918 the announced capitalization of new enterprises was \$366,000,000. That the Japanese have got a taste for big undertakings appears in a recent announcement of a new steamship company; it plans to have constructed 33 steamers of 9,000 tons this year and 34 next year, with a few 5,000 ton boats thrown in for good measure. Japan can probably build the vessels, too; for she had 14 building ways in 1914 and now possesses 145.

Japan has always managed to have a reputation for great resources. In that respect it apparently has not changed greatly since the year 1228, when that ancient worthy, Marco Polo, assured his readers the amount of gold in Japan was endless. One of our modern contemporaries points out that Japan now has in one of her banks more gold than all the feudal chiefs of the thirteenth century could count in their treasuries.



Cyanide, climate and the white ant

From the far-off Philippines, the Colorado Mining Company sent back to California for Redwood cyaniding tanks and for Redwood lumber with which to build sheds for housing them.

They insisted upon Redwood for this exacting use because they knew that long years of constant service had proven it the most satisfactory material to withstand the chemical action of strong acids and to baffle the destructive white ant of the tropics.

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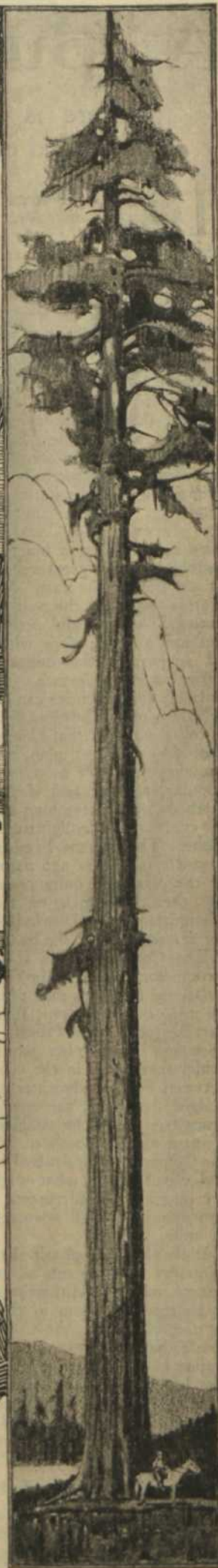
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| †Goodyear Redwood Company | *Northwestern Redwood Company |
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| *Hobbs Wall & Company | †Union Lumber Company |
| *Holmes Eureka Lumber Company | All of San Francisco, California |

EASTERN REPRESENTATIVES

- †C. A. Goodyear Lumber Company, McCormick Building, Chicago, Illinois
 †The Pacific Lumber Company, Lumber Exchange Building, Chicago, Illinois;
 103 Park Avenue, New York City

*Redwood Sales Company, Exposition Building, San Francisco, California



A Business-Like Government

Here is a carefully prepared plan by which the nation's funds can be handled efficiently and the ancient disgrace of the pork barrel be eliminated

THE war made necessary an expansion of Government expenditures to an extent hitherto not only unprecedented but almost unbelievable. This in turn gave rise to a comparative expansion of taxation and issuance of Government loans. The immense burden thus placed upon the people in general, and upon business and industry in particular, has led to a greatly increased interest in the manner in which the Government expends its funds and a demand for stricter and more intelligible methods of appropriating and accounting. Consequently, the time has arrived for pressing upon Congress the need for adopting a budget procedure with far greater hope of success than at any time in the past. Not only the organizations which in the past have supported the national budget are becoming more active but new organizations with the sole purpose of supporting the budget propaganda are springing into existence.

If all these agencies can be brought to work with a common purpose for the same end, it is to be expected that Congress in which support for a budget plan has been constantly growing, will give heed to this expression of popular opinion and demand for financial methods which have long since been approved in every other enlightened country on the globe. The present President of the United States some years ago expressed his support of the plan, and quite recently in a cable to the then Chairman of the Appropriations Committee of the House has voiced his desire for the adoption of the budget method.

The Committee has felt that one of the most potent obstacles in the way of securing a national budget is that a budget can be made up in so many different forms and with such varying requirements that a meeting of minds upon one single plan would be difficult of achievement and, in the confusion of opinion between budget advocates as to just what a budget should be, the enemies of all budget procedure would be enabled to play off one element against another. With this in view, the Committee has drafted in simple language and concise form what might well be called the minimum requirements of a budget system upon which all advocates should be able to unite.

It should be emphasized that these are the minimum requirements of an effective budget system and that additions might advantageously be made to them in the course of time. At the same time, the Committee believes it would be a mistake to advocate a budget system based on foreign precedents to the extent of requiring amendments to the Constitution of the United States, or extremely radical changes in law and long established custom. The program thus adopted by the Committee is laid down as follows:

Formation of Budget

THAT annually, as soon after the close of the fiscal year as is feasible the President shall cause the following steps to be taken:

ONE of the things that has been indelibly impressed upon the business men who went to Washington to help win the war was the curious and inefficient methods used by the government in handling its money and carrying on its business. This waste touches every pocket in the country. The owners of these pockets should, therefore, be interested in this definite plan for the institution of a budget system. It was submitted by W. L. Clause, of the Pittsburgh Plate Glass Company, Pittsburgh, as chairman of a special committee appointed by the National Chamber of Commerce. Associated with him in the work were Frank J. Goodnow, Pres. Johns Hopkins Univ., Baltimore, Md.; W. F. Willoughby, Director Institute for Govt. Research, Washington, D. C.; Paul W. Brown, Editor St. Louis Republic, St. Louis, Mo.; C. K. McClatchy, Editor Sacramento Bee, Sacramento, Cal.; W. H. Cowles, Pub. Spokesman Review, Spokane, Wash.; Herbert G. Stockwell, Stockwell, Wilson & Linvill, Certified Public Accountants, Philadelphia, Pa.; George G. Tunell, Atchison, Topeka & Santa Fe Ry., Chicago.—The Editor.

The submission to him by the Secretary of the Treasury of the following statements:

The condition of the public treasury as shown by current resources and obligations of the Government of the end of the fiscal year just closed, and, if feasible, for a series of years preceding. The revenue and expenditures of the Government during the last completed fiscal year, and, if feasible, for a series of years preceding. Fixed charges and appropriations and estimated revenues for the fiscal year in progress. Changes, if any, which, in his opinion, should be made in the revenue system having for their purpose the increase or decrease of the national revenue.

The submission to him by the heads of all departments and other Government establishments of comparative statements showing in detail (1) their expenditures for the fiscal year just closed, (2) appropriations for the year in progress, and (3) estimates of expenditure needs for the year to ensue. Such statements shall be submitted in such form and with such supporting data as the President may prescribe.

Upon receipt of the foregoing statements the President shall cause to be prepared a budget which shall set forth in detail: The condition of the Treasury as shown by current resources and obligations at the end of the fiscal year just closed and for a series of years preceding. The revenues and expenditures of the Government during each of said years. The fixed charges and appropriations and estimated expenditures during the year in progress; and the provisions which, in his opinion, should be made for meeting the revenue and expenditure requirements of the year to ensue.

These statements shall be in all cases in the form of balanced statements and the data contained in them shall be so grouped and totaled as to furnish a clear idea of the nature of the resources and obligations of the Treasury, appropriations in force, revenues and expenditures.

The statement of provision to be made for meeting the revenue and expenditure requirements of the Government for the ensuing fiscal year shall represent the provision which, in the opinion of the President, should be made for those needs, regard being had by him to the general policy which, in his opinion, should be followed in respect to work programs of the Government to be undertaken,

and the manner in which such programs should be financed. The budget, in a word, should represent his judgment as to the financial and work program that should be adopted for the year to be financed.

The preparation of this budget should be handled by a special service organized by the President for the purpose, working under his immediate direction and instructions and directly responsible to him.

Immediately upon the assembling of Congress in regular session, the President shall transmit to it this budget accompanied by such letter of transmittal, explanations, analysis and supporting

statements as, in his opinion, are desirable in order to get clearly before that body the nature of the proposals contained in it, and the reasons actuating him in their formulation.

The budget shall represent a consolidated statement of the revenue and expenditure needs of the Government for the year to be financed, and no other estimates shall be submitted to Congress directly by any other administrative officer of the Government.

The President shall in like manner cause the heads of all departments and Government establishments to submit to him their estimates of supplementary or deficiency appropriations needed by them to meet requirements of their services during the year in progress. These estimates shall be examined by the special service above mentioned, and the President shall submit them, with such revision as he deems proper, to Congress as Supplementary or Deficiency Budgets for that year.

Action Upon Budget by Congress

THAT the two Houses of Congress shall amend their rules so as to provide:

For a single committee in each house to have jurisdiction over all revenue and expenditure proposals.

For the submission of the budget upon its receipts to such committee.

For the treatment of the budget as the basis for all revenue and expenditure bills.

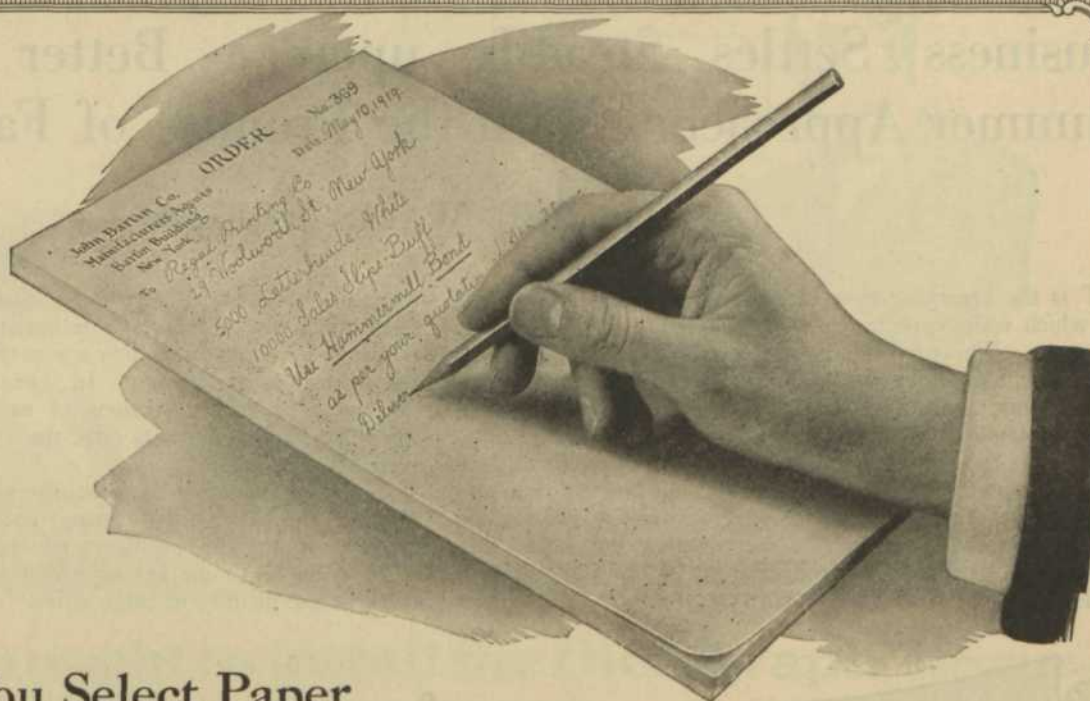
For the preparation by such committee of a budget bill or bills which shall follow the scheme and classification of the budget as transmitted by the President.

For the preparation of a report which shall accompany said budget bill or bills and which shall set forth clearly all features or items in respect to which such bill departs from the proposals contained in the budget with the reasons which have actuated the committee in recommending such changes.

In conclusion the Committee submits this resolution:

National Budget

WHEREAS the vast increase in Government expenditure due to the war has given rise to a heavy burden of taxation upon the people of the United States, and to Government borrowing from the people to an extent hitherto unknown and never anticipated, and (Concluded on page 61)



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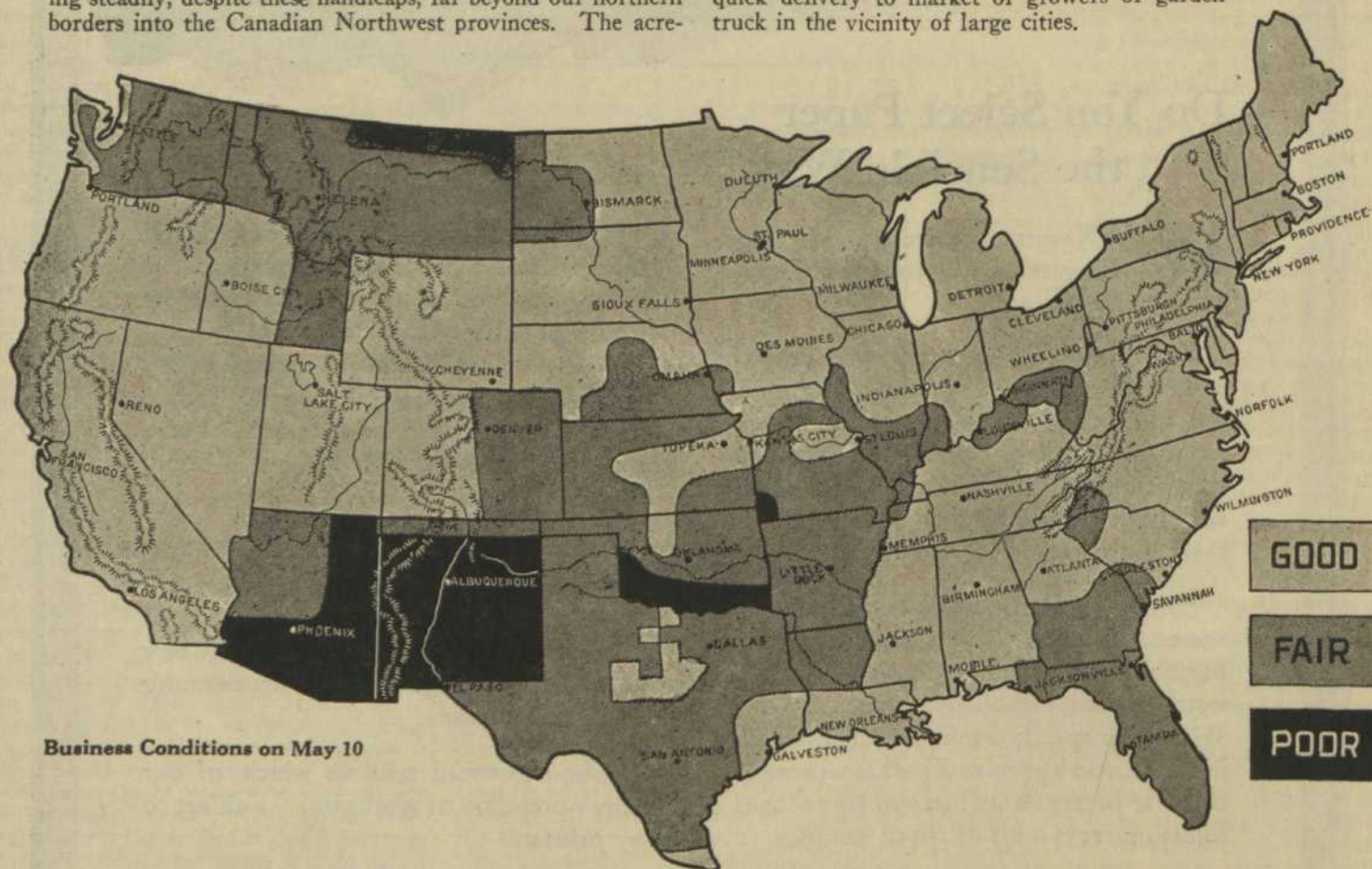
Business Settles Steadily upon a Better Basis As Summer Approaches With the Promise of Fat Harvests

By ARCHER WALL DOUGLAS

IT is the breathing time of day in the commercial world which waits expectant upon the outcome of the growing crops. The promise of winter wheat has grown with each week, and harvesting in North Texas is only about two weeks away, with the growing grain ripening northward each day from its most southern point at about twenty miles per day, or the rate that a man walks. The present outlook is for a crop of about nine hundred million bushels of winter wheat, or the greatest ever grown. Spring wheat seeding has been much delayed by cold, wet weather, but is progressing steadily, despite these handicaps, far beyond our northern borders into the Canadian Northwest provinces. The acre-

weekly—all during the growing season. It is an extraordinarily complex business of intelligent production and of distribution to points often clear across the continent from where the vegetables are grown. In Texas and California there are great producing sections of early vegetables where a generation ago there was only the chapparal thicket or the silent, hostile desert.

The use of tractors on farms grows steadily. In Ohio the number nearly doubled during 1918. Motor trucks are largely solving the problems of economic and quick delivery to market of growers of garden truck in the vicinity of large cities.



Business Conditions on May 10

age of spring wheat in this country will not be so great as last year, but with a normal yield of spring wheat we shall have all the wheat we need for our own consumption and twice as much for export as we have ever before sent abroad in any one year.

Seeding of all agricultural products is from ten days to two weeks late because of continued cold, wet weather, but the soil is thoroughly soaked with sufficient moisture to carry the growing crops for some time.

The decrease in cotton acreage, compared with last year, is only about twelve per cent.

Early vegetables are coming on the market in heavy shipments, and the movement extends from the producing sections in California across to the Atlantic Seaboard. They go northward in incredible quantities—thousands of carloads

The number of silos on farms in the west grows steadily. They are the savings banks of agricultural life and an ever-present help in time of trouble when rains fail and vegetation withers.

The dairy industry increases rapidly in all sections as the value of "Sis Cow" as a revenue producer becomes better recognized. Recently a Holstein cow produced 22,500 pounds of milk in one year, or approximately twenty times her own weight in this salable product.

Prices of food products continue high despite the unquestioned fact that there is an abundance of all manner of grains in this country. Wheat not infrequently commands a premium above the guaranteed price, and corn has advanced considerably because both of these grains are not easy to be had. We exported in 1918 less than one and a half per



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conferences, dictate letters, receive reports, give orders, talk to callers—all without effort and without leaving your desk, while at the same time, your entire organization is afforded complete, direct and efficient inter-office and inter-department communication.

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cent of the corn we grew, so it is not a question of foreign demand for that cereal.

Quite recently hogs sold at a record price in one of the leading markets, although there were more hogs that day than the packers could take care of and some had to be carried over.

Meanwhile, official Delphic utterances in this country fail to indicate what will be the needed action to restore prices of food to a normal level by allowing the law of supply and demand to resume its sway, and corn fluctuates from nine to twelve cents in a day at the will of the gamblers in the grain pits.

In the southwest the reduction in the output of the copper mines is shown in the changed colors of the map in that section.

Building improves slowly.

In most lines of tools, in iron and steel, the manufacturers have not yet caught up with the domestic demand which remained unsatisfied during the war because of the priority of Government needs. In the simpler forms of iron and steel the production has decreased somewhat.

Prices in most lines continue to decline in a moderate way that does not affect the situation.

The labor problem is having all sorts of solutions offered, but the general discussion drifts steadily to the human equation as the one great factor on both sides. Common-sense views of the situation seem to be growing, while the panaceas of sentimentality are going out of fashion.

The general volume of distribution continues large despite impassable roads in many sections and unreasonable weather.

The fog of the European situation seems to be clearing away, and conditions and the general feeling are becoming more normal and wholesome as springtime glides into a summer that is full of the promise of an abounding harvest which shall banish many of our troubles, both at home and abroad.

As Seen by the Director General

(Concluded from page 14)

such a way as to present a fair average in the general situation. In that way we will get entirely away from the insuperable difficulty in the past of trying to apply a single standard—and, by the way, one that nobody knew what it meant—to railroads so different in their earning capacity that it was impossible for the same standard to work for all, and that would give one road more than it needed and leave another in such a position that it could not render the public service.

Since these railroad companies, reconstituted in this way, would have an official capitalization, and that official capitalization would put an end for all time to come to this pervading and persistent suspicion as to overcapitalization which has been the cause of so much unrest and of so much discontent with any action that has been taken in recent years with respect to railroad rates or railroad wages, or any other problem of general interest.

Having those railroad companies constituted in that way, with an official capitalization, I think the government ought to be business-like and effective enough to save its own money and the money of the public by guaranteeing a moderate return on that capitalization, instead of by adopting a plan of giving an assurance which amounts to a sort of a moral guarantee, but yet is so uncertain as not to accomplish the result intended, either in attracting the new capital necessary or in assuring an adequate public service. The

government is morally bound, and as a practical matter is bound, to keep the railroads in condition to render the public service, and if it cannot accomplish that in one way it will have to accomplish it in another. So I say, that being the situation, it is better for it to pay a smaller price and get a better result through a direct guarantee that can be relied on, instead of paying a much larger price and getting a much poorer result through pursuing unbusiness-like and unsatisfactory forms of regulation.

If you stopped there you would wipe the private initiative, which I think is of the utmost importance in order to get satisfactory public service, and in order to get a maximum of efficiency and economy, I would preserve that private initiative by giving private management a fair participation in the profits that might be earned in the railroad business in excess of this moderate guaranteed return. In that way the railroad management would get enough to stimulate private initiative just as effectively, I believe, as it would be stimulated under any other system, even under the old system, and at the same time the fact that there was a division of the profits and, perhaps, a rapidly ascending proportion of profits going to the government, or to the government and labor, would prevent the public and prevent labor from this suspicion and fear that it has always had that it would be seriously and detrimentally exploited for the benefit of private capital, if there is no way for it to participate in any unusual profits that might be made.

I believe that would result in removing the disposition toward illiberal treatment, because I think that disposition has grown largely out of the fear, first, of capitalization, and, second, that there would be an unfortunate exploitation of the public for private benefit if the rates were increased in a liberal manner, and I think this participation in the profits, along with the official classification, would guarantee that moderate return and would get rid of all those difficulties.

I would go further than that, and I would frankly recognize what is a fact, and what has been a fact for many years, that the government is in effect a partner in this enterprise, and I would have the government represented on the boards of directors. Further than that, I would have some of the government directors made members of the government regulating body, and in that way we would establish the necessary point of contact so that the private management in conducting this public business would do so with the advice and counsel of the representatives of the public, and so that the regulating body, when it undertook to deal with this subject, would do so in the light of the knowledge acquired by members of its own body who were in daily contact with the management of the business.

I believe the action and reaction of that arrangement would be of immense value, both to the private management and to the public regulation. The result would be that a great many things would be done right and to the satisfaction of the public to start with, instead of being done wrong, and being so done as to arouse suspicion on the part of the public resulting in correction after a long and acrimonious controversy and litigation and recrimination, and the substitution therefore of a public confidence would be of immense value in tranquilizing this whole situation, and in realizing a condition where the thing could be reasonably counted on when it is done, instead of being, as in the past, a mere starting point for new trouble and new agitation and new dislocation of conditions.

Too Much of a Good Thing

COIN of the realm is a handy thing and we all like to see it circulate, whether or not circulation is good for us in the opinion of the economic wiseacres. Even so, there may be too much of a good thing.

In 1860 our fathers transacted business with currency which, on the average, amounted to \$13.85 for each person in the country. The Civil War caused a man to need more money to buy the same goods as before, and in 1865 the circulation per capita was \$20.58. Then it began to decrease and in 1878 got down to \$15.32. It could not get lower, however, and began to ascend until, in 1913, it was \$34.56.

With the beginning of the European war there was such a pause of shock in human affairs that the amount of money in circulation at first tended to fall, but by 1915 the effects of war were in operation and the figure went to \$35.44, bounded to \$39.29 in 1916, and by April 1, 1917, when we were about to cast our lot for war, it had reached \$45.34.

At the time of the issue of each of our Liberty Loans circulation increased abruptly, and by December 1, 1918, had reached its high point of \$56.23. Declining gradually, it reached \$53.58 on February 1, 1919, and then began again to climb, being at \$54.56 on April 1.

A Business—Like Government

(Concluded from page 56)

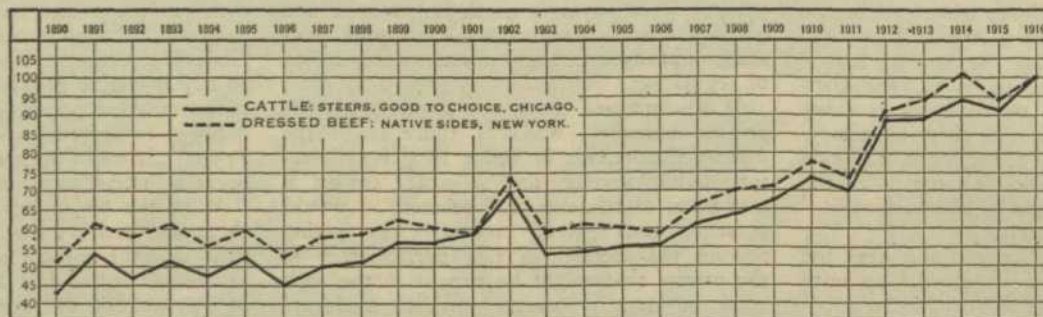
Whereas this increase in taxation and Government loans has naturally and reasonably led to a demand on the part of the people for a budget system in raising and appropriating monies which shall intelligibly present to the people the purposes for which and the methods by which these monies are raised and expended: Now, therefore, be it

Resolved, That the Chamber of Commerce of the United States approves the plan for budget procedure laid down in the report of the Chamber's Special Committee on Budget and Efficiency, and calls upon all its member organizations to establish Budget Committees for the purpose of co-operating with the National Chamber's Committee in its campaign for the adoption of these principles and for the purposes of carrying on in each community in which they are located an educational propaganda upon the subject of a national budget, and bringing to the attention of the Senators and Representatives in Congress the sentiment of their communities in regard thereto.

Efficiency Commission

WHEREAS the vast extent of the Government service and the multiplicity of its operations point clearly to the need of the creation of some central governmental agency permanently established and properly equipped for the purpose of standardizing methods, preventing duplication, simplifying processes and increasing efficiency: Now, therefore, be it

Resolved, That the Chamber of Commerce of the United States hereby approves the proposal submitted by the Chamber's Committee on Budget and Efficiency that the Congress create and the President appoint a commission composed of disinterested persons, preferably not actively connected with the Government, to which the President may look for suggestions with regard to such measures of permanent as well as temporary administrative organization as may seem to him to be desirable.



On looking back to 1890 one sees that every year the packer has been selling meat more cheaply compared to the higher prices he had to pay for cattle. This is the latest chart printed by the Bureau of Labor Statistics. 100 equals 1916 price. War-time diagrams are not published yet

This chart shows why beefsteak is high priced

"I remember when we paid 20 cents for beefsteak," she said. "Now it's tagged 40 and 50 cents a pound."

The housewife wonders who is making money from these high prices.

Could she see the herds of cattle out in the pastures—bringing more than twice as much as before—she would know that a considerable part went to the farmer to encourage production.

A glimpse of doubly valued grain—necessary to fatten live stock—together with high priced farm labor, and other high farm expenses—would largely explain why this was necessary.

World food shortages, high wages, depreciated money, make everything high priced. Meat has not advanced more than other foods.

But throughout the past 30 years of rising prices, the packers, in competition with each other, by handling more live stock, and by eliminating waste, have steadily reduced the spread between the price of cattle and the price of beef. This chart, copied from Bulletin No. 226 of the U. S. Bureau of Labor Statistics, shows it.

As compared with the price of cattle the consumer is paying less for meat, and the live stock producer is getting a larger proportion of the prices received by the packer for meat and by-products.

Service like this, performed at a profit to the packer of only a fraction of a cent per pound, benefits the public. It goes to show that the right men are on the job.

Swift & Company, U.S.A.

Founded 1868

A nation-wide organization owned by more than 25,000 shareholders



Salvaging the War Machine

Being a few of the difficulties encountered by those who had to reverse the engine at full speed without stripping gears and injuring passengers

By GOLDTHWAITE H. DORR

Assistant Director of Munitions

ON November 11 the mighty industrial military machine which the producers of America had created was running at top speed. It was turning out weapons and supplies infinite in variety and in ever increasing volume. Every nerve had been strained to speed up and to give that overwhelming weight to the Allied arms which was to sweep away all barriers in 1919.

And then suddenly the miracle of endurance and valor had been accomplished, the guns were silent and our troops marched over those roads for which they had expected to battle. Back home here, when we caught our breath, we turned to the task of arresting in its onrush this great military machine of industry, throwing it into reverse and dismantling it. It was not a particularly inspiring task after the stimulus of war, but it had to be done. A large portion of the industry of the country was committed to the War Department for a considerable period of time. The War Department was heavily committed to industry.

All agreed that war industries should return to commercial lines as speedily as possible. Labor and material ought not to be consumed in making products useful only for what was now behind us. It became an immediate and insistent problem for the War Department to liquidate its commitments to industry without smashing things.

A Quick Decision Necessary

OUR first step was to determine in the light of these circumstances as well as of the military situation what contracts we would let go to completion, what contracts we ought to let go to partial completion and what contracts could be terminated immediately. The situation called for quick decision. It was the most important and delicate part of our whole problem of contract adjustment. On the one side was the responsibility of the Department for the proper expenditures of the enormous appropriations that had been committed to it. And further the very clear and proper determination evinced by Congress that the Department must not go too far in letting industrial considerations influence the continued expenditure of funds appropriated for military needs.

On the other hand was the question of how rapidly the country could make the shift back to ordinary commercial life, how fast it could absorb the demobilized army and whether the winter could be got through without wide spread unemployment and dire suffering for which the Department would be largely responsible through a too sudden wrecking of the industrial military machine.

There was considerable pressure from both sides. Localities urged that if war work were cut down disaster stared them in the face and some of our investigations gave us bad moments as to whether grave mistakes had

not been made. The job was one that had to be done and was done in a rough and ready way. As to most contracts the adjustment was made by permitting partial completion, by a tapering off process that carried the manufacturer and the labor employed over

If the material is one that industry needs at the moment every effort is made to get it into industrial channels. Much of our surplus material can be and will be put to other governmental uses as for example, a great part of our surplus motor trucks.

As a part of this problem, we have on our hands plant facilities created for war purposes. Many of these we are disposing of to the contractor who used them for conversion by him to commercial uses. Some we hope to retain as additional arsenals where the necessary special machinery can be retained and kept up to date, and the making of types preserved and improved. But there are other great plants which are in themselves industrial towns on which millions have been expended and for which we no longer have a use. To devise methods of conversion of these great plants to commercial purposes is a task on which we need the aid and ingenuity of the industrial producers of the country.

There remains another by-product of our curtailment of production. It presents a problem that has given the

Department the gravest concern and it is bending every effort to clean it up and put it behind it. By tapering off production in many cases, we have been able to complete the work in process, use up the raw material and bring the contractors out whole and with his profit on the completed articles and so wind up the contract. But in many other cases suspension of production has left the contractors with raw material, work in process and commitments and sub-contractors on his hands. Clearly some settlement has to be made. The first question for determination was the basis on which the Department would effect these settlements. In many contracts there were clauses expressly providing for just the emergency that arose. These provided in general for the reimbursement of the contractor for the expenditures and commitments made by him on that portion of his contract not resulting in the delivery of completed articles and a certain percentage on those expenditures as remuneration for his services that did not result in completed articles.

The Department's Policy

WHERE there is such a termination clause the contractor can have his contract wound up on that basis if he so desires. Where there is no formal termination clause the Department determined to offer a substantially similar basis of settlement. The policy of the Department is to make the contractor whole on his expenditures and liabilities and in addition give him a fair remuneration for the use of his capital and his services applicable to that portion of the contract which does not result in the delivery of the completed articles. That is the policy. It is easy to state but by no means always easy to apply. Certain general standards for deter-

Peace and the War Contract

THE manufacturer, busy with his particular job in the held over war contracts, is often puzzled by the rulings and orders that come to him from the government. From his point of view some of them are weird and indefensible. Upon receipt of these unwelcome visitors he is often moved to smite his desk blotter and demand,

"What the deuce are they trying to do down there at Washington, anyhow?"

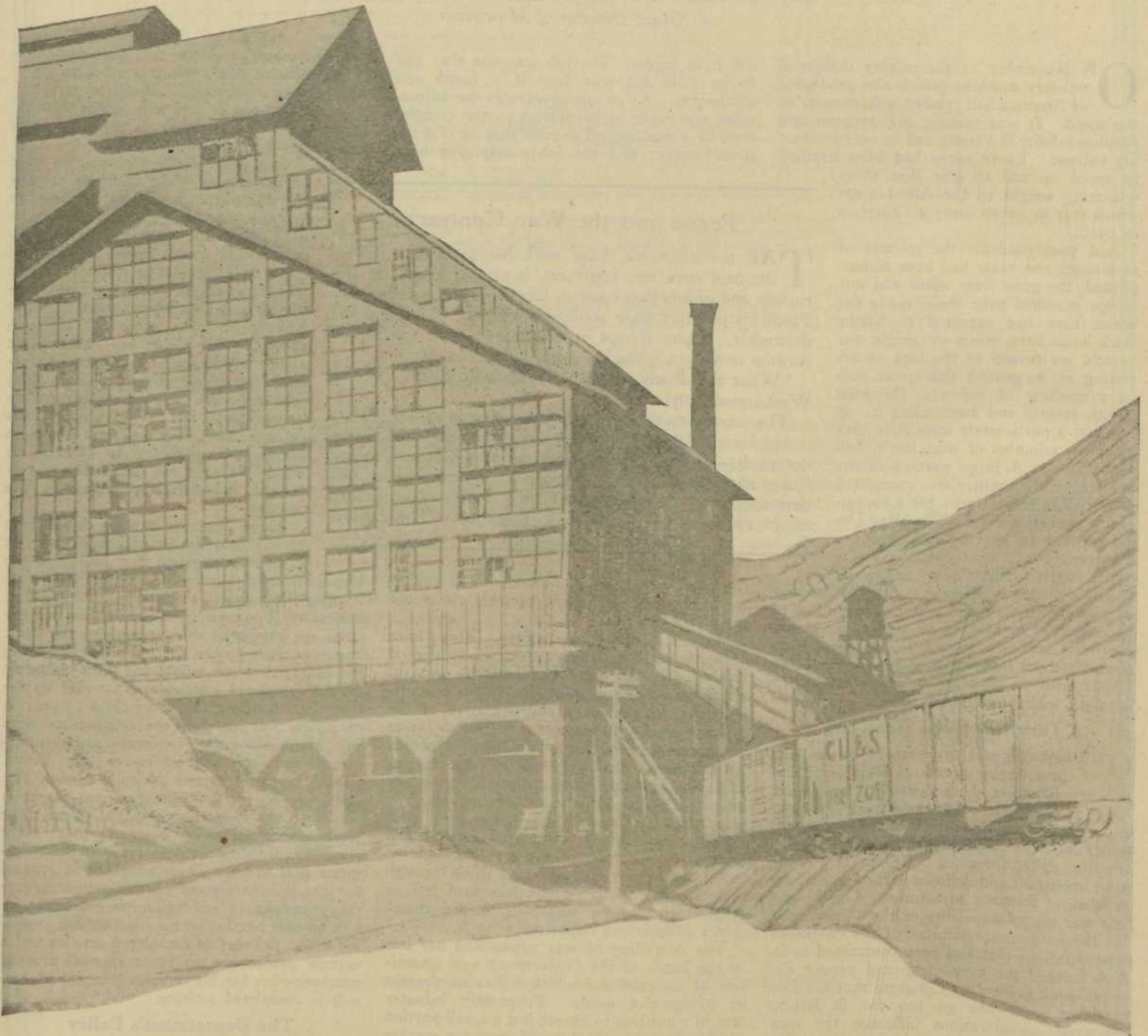
The answer to the question is given here by Mr. Dorr. It tells what the government is trying to do—and trying not to do—and it is written by one of the men who are living with the problem. Besides furnishing a better understanding of the government aims it carries something of the sweep and infinite detail of the job.—The Editor.

the first period of readjustment and turned work in process otherwise of little value into completed articles.

We came through the winter. There have been no doubt too many cases of individual hardships. But there has been no general wreckage. We recognize that this is due primarily to the courage and initiative of the average American business man, but so far as our problem went, that was a factor on which we relied and were prepared to take chances on. The first and most critical of our problems of contract adjustment is behind us. We trust that our handling of it, the sums paid out for deliveries of completed articles and materials have been of some substantial aid in helping to carry industry and labor through this critical period. There has been left as by-products certain tasks which are themselves difficult and important enough.

The curtailing of war production has left in the hands of the Department vast quantities of material for which it has no present or prospective needs. Frequently industry was in a position to absorb but a small portion of this material. If dumped upon the market it would demoralize the trade and result in a sacrifice of the Government's interests. If held off the market it would create a speculative uncertainty. The plan adopted by the Department has been and will be to market these stocks when possible through the producers, spreading the disposition over a period of time and obtaining for the Government the market price currently obtained by the producers for their own product less a commission corresponding to actual selling costs. Satisfactory arrangements have been made along these lines, with the trade for the disposition of lumber, copper, sulphur, lead. Other arrangements are in process of making.

The Nation's Coal Supply



Adding—Bookkeeping—Calculating Machines
Burroughs

and Jim Smith's Coal Yard

To get a ton of coal from the mine to the bin in your cellar requires a vast system of intermeshing organizations of which you are but dimly aware.

Manufacturing companies that make engines, steel rope, explosives, tools, electric motors, trucks, steel rails, brick, lumber, locomotives, freight cars, pumps, clothing, lamps—the list is endless.

An army of miners, laborers, breaker boys, brakemen, engine-drivers, conductors, switchmen, mechanics, clerks and executives.

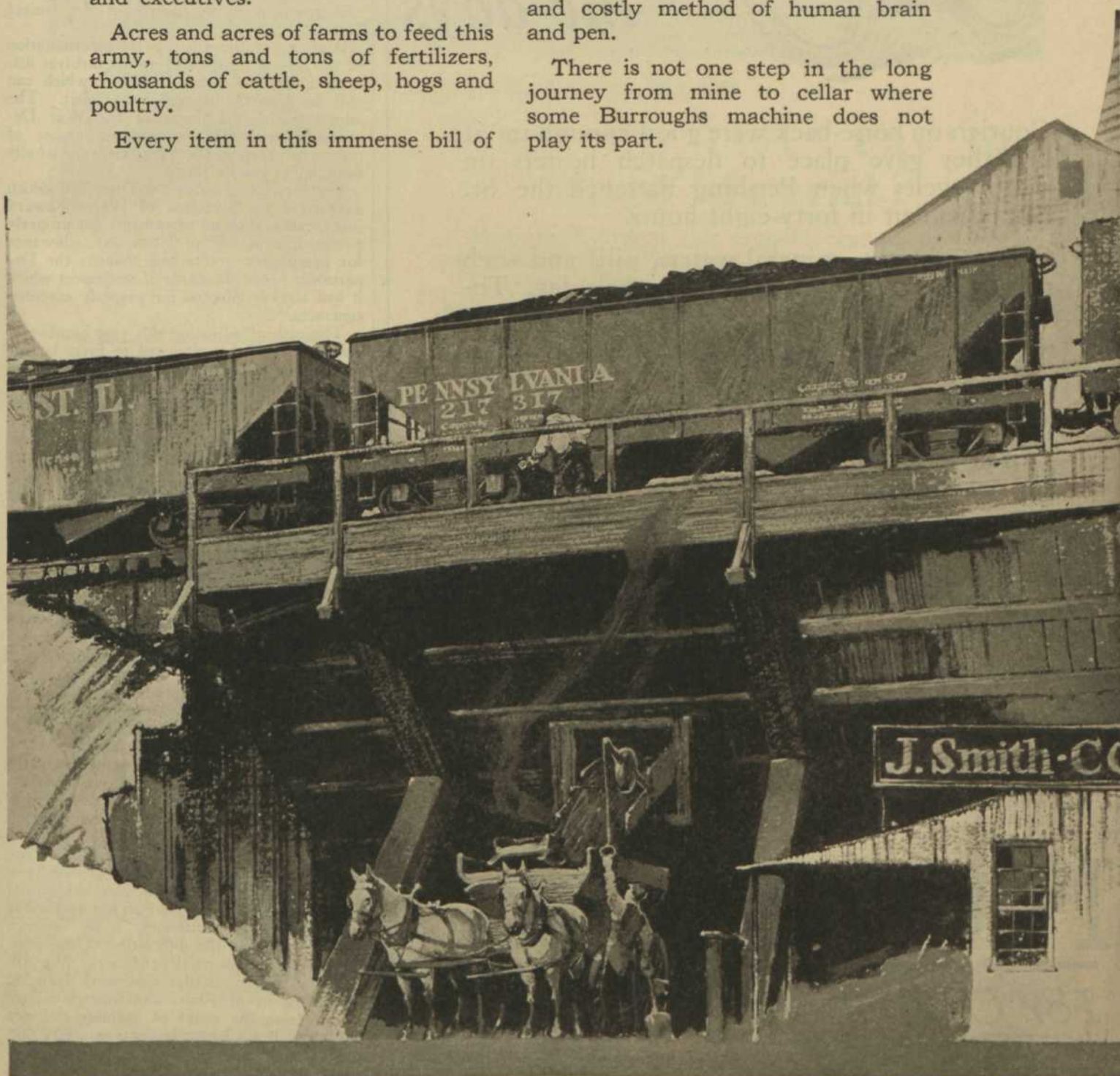
Acres and acres of farms to feed this army, tons and tons of fertilizers, thousands of cattle, sheep, hogs and poultry.

Every item in this immense bill of

cost must be accounted for by its own little fraction of the price of a ton of coal. Every one of millions of items and transactions must be figured—estimated in advance, checked afterward, or Jim Smith cannot get the coal or make a living wage for delivering it to you.

No one can estimate the sum of money already saved to the nation in this single industry by substituting the accuracy and economy of Burroughs Adding, Bookkeeping and Calculating machines for the more clumsy and costly method of human brain and pen.

There is not one step in the long journey from mine to cellar where some Burroughs machine does not play its part.





Gone are the days

Couriers on horse-back were good enough in '61 but they gave place to despatch bearers on motor cycles when Pershing flattened the St. Mihiel salient in forty-eight hours.

Castor oil, salts, mineral waters, pills and such purgatives were good enough in their day. Today they are giving place to Nujol.

Nujol is entirely different from drugs as it does not force or irritate the bowels.

Nujol prevents stagnation by softening the food waste and encouraging the intestinal muscles to act naturally, thus removing the cause of constipation and self-poisoning. It is absolutely harmless and pleasant.

Nujol helps Nature establish easy thorough bowel evacuation at regular intervals—the healthiest habit in the world. Get a bottle from your druggist today.

Warning: Nujol is sold only in sealed bottles bearing the Nujol Trade Mark. All druggists. Insist on Nujol. You may suffer from substitutes.

Nujol Laboratories
STANDARD OIL CO. (NEW JERSEY)
50 Broadway, New York

Nujol

TRADE MARK

For Constipation



mining expenditures and remuneration have been set up. In some cases they will no doubt seem arbitrary.

Exceptional cases may present grounds for additional compensation. There is provision for handling such cases. But you will readily see that where the task involves the handling of some twenty-five thousand prime contracts of the Government and one of these prime contracts may involve the consideration of a hundred sub-contracts, it is difficult to handle the exceptional case without unduly delaying and complicating the work as a whole. You will observe that the Department is making no allowance for prospective profits. That is for two reasons. Our experience has shown that the basis of reimbursement and remuneration for work actually done is satisfactory to substantially all contractors. When the Armistice came they were content to return to civil commercial work and ignore the question of what they might have made if the war had gone on. Their attitude in the matter of settlement has been almost uniformly fair and generous to the people of the United States.

A second reason was that the determination of the loss of prospective profits involves difficult questions of law and fact which can only be properly handled by a court. The administrative machinery of the War Department with this tremendous number of contracts pressing for adjustment is wholly unsuited to handle them.

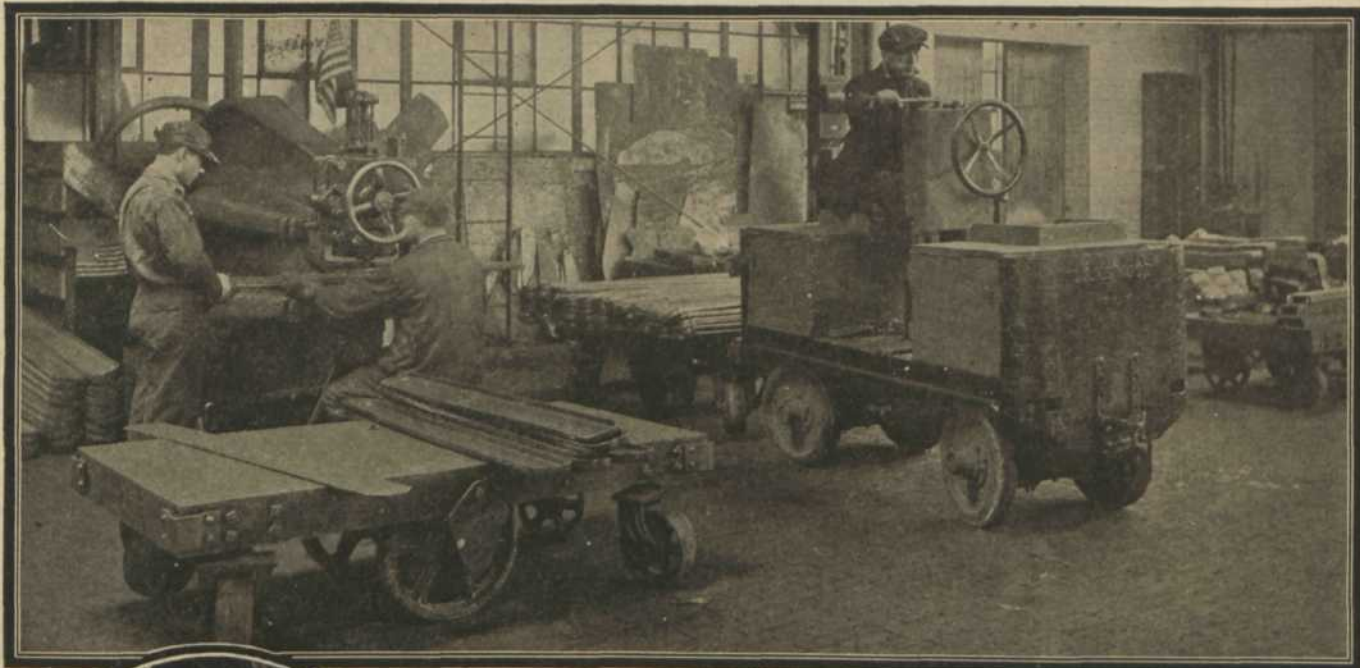
Further, Congress in the Dent Bill which authorized the Secretary of War to award just compensation on agreements not properly executed, expressly prohibits any allowance for prospective profits and confines the Department to the standards of settlement which it had already adopted for properly executed contracts.

The task of adjusting this vast number of contracts has been entrusted to forty boards of business men, civilians and officers, who came into the Department from civil life and who are counted upon to bring to this work the viewpoint of the business man. They have been familiar with the performance of these contracts. They know contract and contractor. They are staying on this work at very considerable personal sacrifice. They have every incentive to do it speedily for that way lies their release. But the responsibility of their position is a very grave one and they realize it.

The basis of settlement is essentially that of reimbursement for expenditures with remuneration for making them. A check by the Government of contractor's figures is therefore necessary. Property changes hands if it is involved in the basis of settlement and a check of the physical presence of property is necessary. A check on valuation of property as of date of settlement is necessary. A check on obligations of contractor to sub-contractors is necessary. If the methods of exact audit were always required, the task would be interminable. At best the mere mechanical difficulties in the way of speedy determination are enormous.

A word as to progress. More than one half of the contracts to be adjusted have been finally disposed of. As to very substantial proportion of the remainder an agreement has been reached and settlement is in progress.

We appreciate the difficulties of the position of many industrial producers. We ask them to appreciate that this work is being carried on by men who like yourselves, are drawn from the ranks of business and are putting aside their own business interests that they may aid the Government in this great task.



As pieces are finished they are laid on trailers. Tractor picks up loads on regular schedule. Rehandling is avoided.

What Do YOU Pay to Move Material?

How much does it cost to move raw material and partly finished product through your plant?

"Too much," you will say, if you are moving loads by man power.

Your costs can be cut considerably—as much as 50 per cent—by using machines instead of men.

Keep Your Product on Wheels

Haul heavier loads—make fewer trips—use fewer men. Link up your haulage system with your manufacturing plan.

Keep your product on wheels from the time raw material is received until the finished product is shipped.

A tractor and trailer installation will do the work of six men—in most cases more.

And the haulage system will pay for itself in a short time.

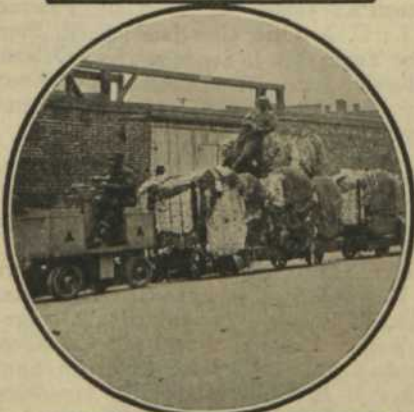
Lakewood Engineers will gladly help estimate what power haulage system will save you. No obligations on your part—get the facts.

THE LAKEWOOD ENGINEERING COMPANY
CLEVELAND, U. S. A.

Offices in New York, Philadelphia, Washington, Pittsburgh, Detroit, Chicago, Milwaukee, Salt Lake City, Los Angeles and Seattle.



Lakewood Storage Battery Trucks cut handling costs 40% in this plant.



Lakewood Tractor in Riverside Cotton Mills, Augusta, Ga., handles thousands of bales each day in long trains.

Lakewood Industrial Haulage

FLAT WHEEL. FLANGE WHEEL.

ALLIED

Export Department
ALLIED CONSTRUCTION MACHINERY CORPORATION
120 Broadway New York U.S.A.

ALLIED

INTERNATIONAL BANKING

through the Chicago Center

HAVE YOU THOUGHT of Chicago as a center of international trade? Have you realized that Chicago is the logical center for the international banking of the United States?

Chicago's position as the natural capital of the vast food, fuel, iron and lumber-producing territory of the Middle West demanded and has resulted in

The CONTINENTAL and COMMERCIAL BANKS

at the service of the nation and the world in this wonderful year of opportunity that ushers in world reconstruction and international amity.

Are you seeking to establish your business on international lines, or at least on national lines? Then you require just such a *broad and comprehensive financial service* as The Continental and Commercial Banks afford.

With resources of \$440,000,000 and over, these Banks are able to participate in large undertakings important to the United States and every part thereof and important to other countries of the League of Nations.

Briefly outlined in its main features, the service of The Continental and Commercial Banks is as follows:

Commercial Banking, Foreign and Domestic
Financing Industries, Municipalities, Railroads, Public Utilities
Financing Government Issues
Financing Foreign Trade; Letters of Credit and Travelers' Cheques
Personal Trust Service
Corporate Trust Service
Corporate Agency Service
Safekeeping of Foreign and Domestic Securities
Investment Securities; Savings; Safe Deposit

Continental and Commercial
NATIONAL BANK

Continental and Commercial
TRUST AND SAVINGS BANK

CHICAGO, U. S. A.

Organized Business Chooses Officers for Coming Year

HOMER L. FERGUSON, president of the Newport News Shipbuilding and Drydock Company, is the new president of the Chamber of Commerce of the United States. He succeeds Harry A. Wheeler, who after serving as president of the Chamber during the first two years of its existence and again last year during the war emergency, declined re-election.

Mr. Ferguson was elected by the board of directors of the Chamber on a vote taken by mail. His was the only name placed in nomination by a nominating committee which met immediately after the conclusion of the seventh annual meeting of the Chamber at St. Louis, May 1.

In addition to Mr. Ferguson the following other officers were elected by the Board:

Vice-presidents: Eastern District, A. C. Bedford, New York (re-elected); North-Central, Joseph H. Defrees, Chicago (re-elected); South Central, Thomas F. Gailor, Bishop of Tennessee (re-elected); Western (to be filled later).

Chairman, Executive Committee: Joseph H. Defrees (re-elected).

Honorary Vice-Presidents: Harry A. Wheeler, Chicago; John H. Fahey, Boston (re-elected); A. B. Farquhar, York, Pa. (re-elected); Charles Nagel, St. Louis (re-elected); R. G. Rhett, Charleston, S. C. (re-elected).

An executive committee consisting of the following was named:

Joseph H. Defrees, Chicago, Chairman; Max W. Babb, Milwaukee; A. C. Bedford, New York; W. L. Clause, Pittsburgh; L. S. Gillette, Minneapolis; P. H. Gadsden, Charleston, S. C.; Frederick J. Koster, San Francisco; James R. MacColl, Pawtucket, R. I.; C. A. Otis, Cleveland; L. E. Pierson, New York; M. J. Sanders, New Orleans.

Twelve vacancies on the board of directors have been filled by the Chamber's membership as follows:

Frank H. Johnston, New Britain, Conn. (re-elected); Lewis E. Pierson, New York (re-elected); Henry M. Victor, Charlotte, N. C.; P. H. Gadsden, Charleston, S. C.; Frank Kell, Wichita Falls, Texas; Clarence H. Howard, St. Louis (re-elected); Max W. Babb, Milwaukee (re-elected); George H. Barbour, Detroit; Charles C. George, Omaha; A. E. Carlton, Colorado Springs, Colo.; J. E. Chilberg, Seattle (re-elected); Frederick J. Koster, San Francisco.

Did They Want Beer Bottles?

BELGIUM suffered tremendously, but is not a complete ruin, by any means. The docks at Antwerp may be grass-grown, neglected, and blocked with gravel for cementing the Hindenburg line, but they chiefly need reoccupation by business. All the window-glass industries are intact and can go into production on short notice,—when managers and unions of employees reach mutually agreeable terms. Of the plate-glass factories the one owned in the United States bore the brunt of destruction for the whole industry, and the rest are not badly off. As for the bottle factories, they worked steadily during the war and are not only busy now but are being increased.

SCHIEREN BELTINGS

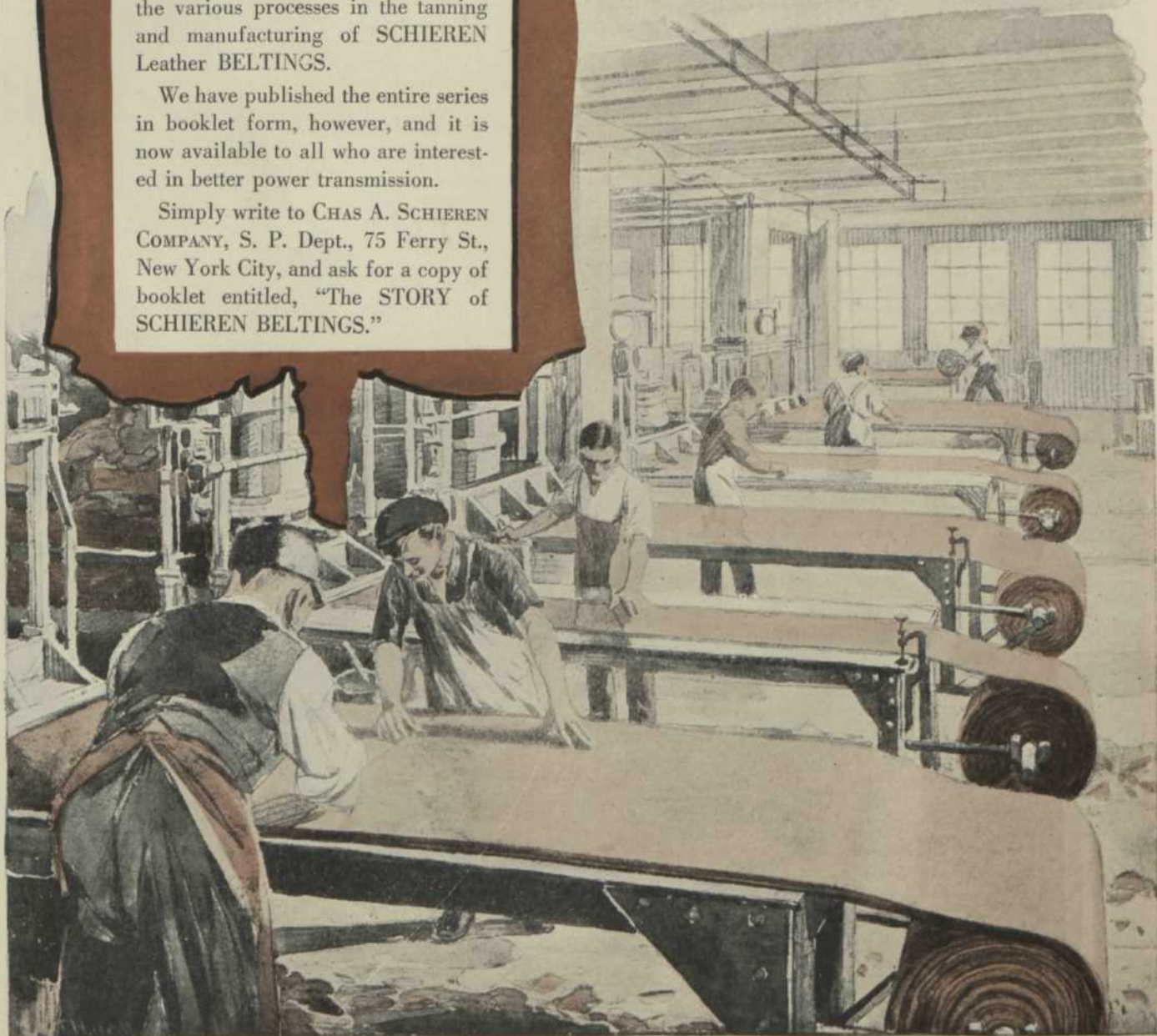
A Story in
Twelve Parts
Part 11.

Lapping and Cementing

Space does not permit us here to explain as fully as we would like the various processes in the tanning and manufacturing of SCHIEREN Leather BELTINGS.

We have published the entire series in booklet form, however, and it is now available to all who are interested in better power transmission.

Simply write to CHAS A. SCHIEREN COMPANY, S. P. Dept., 75 Ferry St., New York City, and ask for a copy of booklet entitled, "The STORY of SCHIEREN BELTINGS."



It is sometimes a problem how to get the utmost value out of the best kind of belting

It is a generally accepted fact that *leather* is the best material for belting.

It has been so for centuries, for leather alone possesses all of the qualifications that make for efficient power transmission with practical economy, viz:

(1) Great strength; (2) Flexibility, permitting use on smallest pulleys; (3) Pliability; (4) Elasticity, just enough to retain the "life" in leather throughout its usefulness; (5) Endurance, some leather belts 40 or more years old being still in use; (6) Salvage value, the leather in belting even after long years of service permitting making over into smaller sizes, or else having commercial value for other purposes.

But, even with leather belting to start with, the problem of most efficient power transmission is not always solved; there remains the question: "How to apply it to best advantage?"

It is here that the experience of a house fifty years in the business can show to the benefit of belt users. On even moderate power drives it often pays to secure the advice of experts. Our Engineering Service Department was organized for just that purpose.

On one occasion not long ago we were able to show a customer how to secure 12½ per cent. more power at no increase in the cost of the belt; and, on another occasion, a suggested change in the size of the belt effected a saving of several hundred dollars.

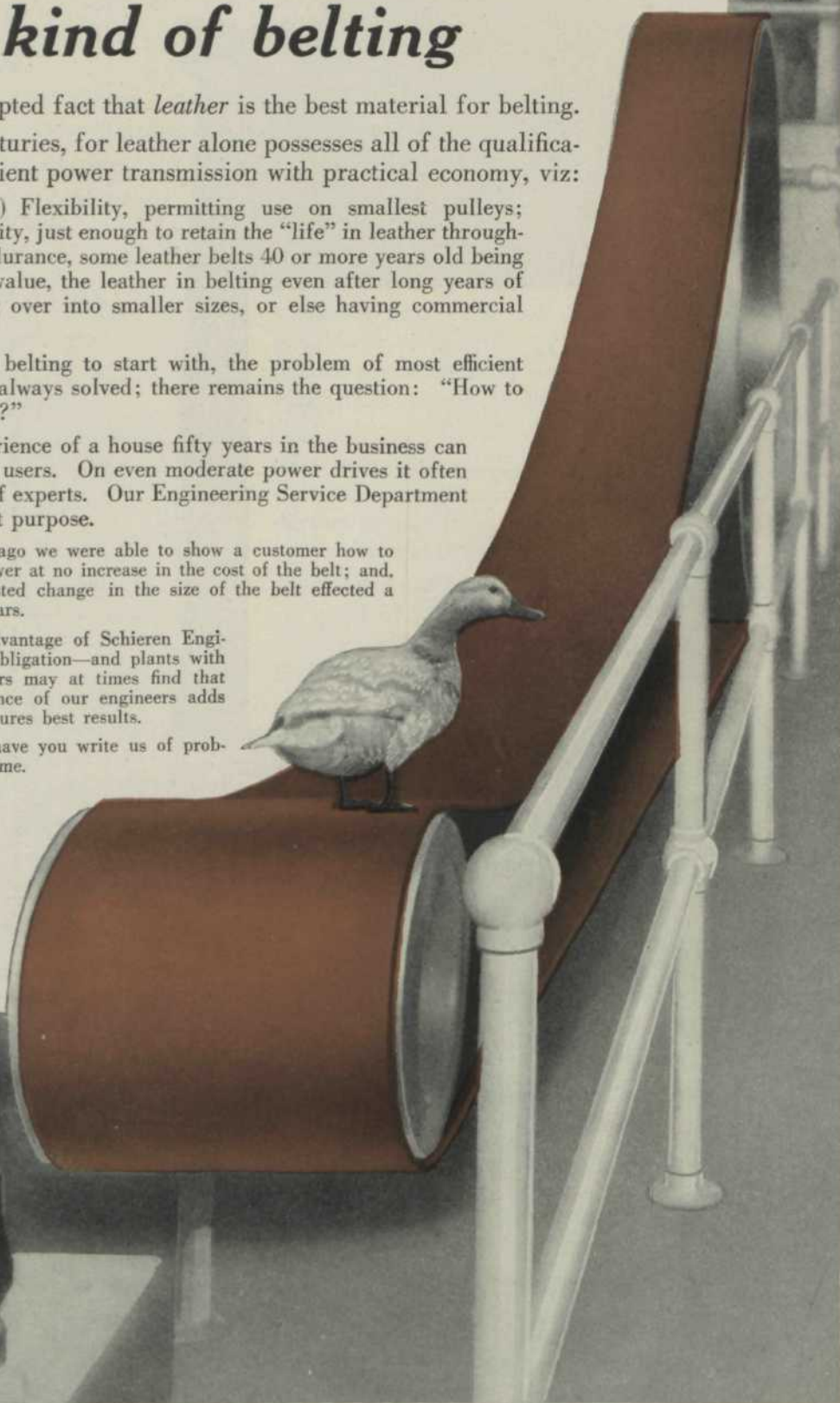
Any belt user can take advantage of Schieren Engineering Service—there is no obligation—and plants with their own mechanical engineers may at times find that checking up with the experience of our engineers adds that factor of safety which assures best results.

We should be pleased to have you write us of problems confronting you at any time.

Address

Chas. H. Schieren Company
Tanners
Belt Manufacturers

Main Office and Factory:
75 Ferry St., New York, U. S. A.



DUXBAK



*Eighteen Hours Daily
Since July, 1913, With-
out Sign of Failure*

These two 13-inch DUXBAK Leather Belts have been driving 20-ton ammonia compressors for the above named period.

Their good service induced the same company to order a 17-inch DUXBAK for driving a 50-ton compressor.

You can't beat DUXBAK for drives where there is moisture, steam, oil or acid fumes.



**"Mr. Keene,
the chief difference
between DUXBAK and
cheaper belts is in the better
and longer service it gives"**

"It is as strong as any belt, containing nothing but No. 1 center stock leather; it has a natural pulley grip that eliminates slip; and, furthermore, it is waterproof—the joints will not open up in damp places.

"You'll forget all about the first cost when your production shows an increase due to the better pulling power of DUXBAK, when your upkeep and maintenance costs come down to a reasonable figure, and when DUXBAK Belting keeps going steadily day after day and month after month with no sign of wear.

"You'll make no mistake by putting DUXBAK on that hard drive you were speaking of, Mr. Keene."

Make YOUR next order read:—

"Schieren's DUXBAK Belting"



Chas. A. Schieren Company
ESTABLISHED 1884
Tanners
Belt Manufacturers

Main Office and Factory
75 Ferry Street, New York, N. Y., U. S. A.
Oak Leather Tanneries, Bristol, Tenn.
Branches in all large cities

"He Who Hesitates—"

(Continued from page 46)

it can run its own business successfully. This it has not done, as attested by the absence of any businesslike system of budgeting public finances and the resultant waste of millions of dollars of public expenditure by the archaic method of handling them through a multiplicity of Congressional committees whose functions are in no way related, and without the slightest regard for uniformity, for the needs of departments or for fiscal revenues. Our New Jersey budget cured this same con-

dition in the State. The budget will prove just as effective in the Nation.

Let the Government be a partner, rather than a competitor, of business, and in national affairs we shall be able to accomplish in a bigger way things like systematic highway construction, traffic bridges and tunnels and port development, such as are budding in New Jersey as a result of this co-operative plan of government joining hands with the governed.

America today is the banker of the world. We have passed from a debtor nation, owing billions, to a creditor nation, lending billions. For the thirty thousand security holders of a

few years ago we now have thirty millions. Our trade, our exports, helping exchange and making possible proper balances, must be expanded to meet these revolutionary conditions of a world that, financially, commercially, socially, has been turned upside down in the short period of five years.

The American business man will be equal to the task if he ceases to talk in the dead language of "before the war" and goes ahead with optimism and courage, buying, selling, building, turning over the wheels. The American business man will succeed if the American Government becomes his ally.

Sidewalk Competition

The street railways discover, among other curious psychological truths, that they make pedestrians by the million when they try to overcome the shrinkage in the nickel

By WILLIAM D. B. AINEY

Chairman, Public Service Commission of Pennsylvania

SOARING costs of labor and materials have imposed a heavy additional burden upon the revenues of electric railway companies, and this has occurred simultaneously with the closing of the ordinary avenues of credit by which financing has been difficult if not impossible.

Net earnings have often times disappeared between the upper and lower mill stone of a most serious situation. We are informed that the operating returns for electric railways of the country for the year 1918, as compared with 1917, showed an increase of but 6.45 per cent, while the expenses for the same period increased 16 per cent. In December, 1918, their operating expenses had increased 23 per cent over the same month in 1917, with the resultant falling off in net revenues of four per cent.

The accentuation is no less startling when we remember that they include a period when many of these companies had increased their rates of fare from five to six, seven and eight, and in some instances ten cents. So largely do these increased rates enter into the computation just submitted, that thoughtful people are beginning to doubt whether, generally speaking, these fare increases will give the relief which the companies must have.

If our minds are to pursue the channels of right and logical thinking, we are bound to recognize:

That electric railway service, particularly urban service, has fundamental differences, differentiating it from railroads, and certainly from all classes of utilities, water, gas, etc. It is a service in which a large share of its customers have the right of election as to whether to walk or ride, with the jitney and automobile as alternatives. Railroads are not so subject. There is then a much closer relationship between the rate of fare and the riding habit than is found with other forms of transportation. The revenues of railway companies are to a very appreciable extent dependent upon a public willing to pay the imposed rates.

Speaking particularly of Pennsylvania, no two companies have the same corporate history. In rare instances have their lines been constructed under similar conditions. There are wide differences when we consider the localities served. There are topographical and geographical variants and differences with

respect to congestion of population, and even with respect to the riding habits of particular localities.

We have some large companies which have not sought increased fares, but on the old five cent rates have met all the increases in cost of operation, with no default in payment of bond interest or passing of dividends on stock, and we have other companies which are still staggering under their operating burdens on six, seven and eight cent fares.

This is not advanced as an argument against increased rates of fare, but to illustrate the fact that the solution to the problem yields to no general mathematical formula applicable to all companies under all conditions.

When the people of Scranton oppose an eight cent fare, they are apt to point to Philadelphia with a five cent rate; when the Pittsburgh company desires a seven cent rate, it is easy to point to Boston. It is neither logical nor scientific to predicate a rate schedule upon such comparisons, unless the conditions are shown to be similar, and they are rarely comparable.

There's No Cure-All

IF I cannot agree that there is any one answer which can with safety and certainty be applied to all companies, I am nevertheless emboldened to suggest to the railway companies certain essential factors for consideration that to my mind enter very materially into the determinations which may be severally reached.

The intimate relations between a rate of fare and the riding habit. I am sure we are agreed that the public are entitled to receive adequate service at the hands of these companies at a rate generously sufficient to meet operating expenses, provide a reserve for depreciation and yield a fair return.

Here, then, is a fair balance which we must strive to maintain. A rate of fare should be high enough to provide adequately for the companies' needs and low enough to attract car riders to produce that revenue.

The over or under emphasis of either of these postulates distorts our vision and disturbs our accurate thinking.

A rate of fare so high as to lose to the company a material part of its patrons will result ultimately in disaster to that company just as certainly, if not so immediately, as a

rate of fare too low to produce the required revenue.

In many instances rates of fare to provide increased revenues have been prescribed, based upon a purely mathematical hypothesis, ignoring the psychological and other considerations which enter very largely in the question as to whether it would be paid by car riders, and the results have not followed arithmetic and have been serious.

I cite an instance. A company, with an annual riding patronage of approximately 29,000,000 two years ago, increased its rates from five cents to eight cents with loss in car riders of at least 6,000,000 fares; 23,000,000 at seven cents, as against 29,000,000 at 6½ cents.

In one of our large cities a railway company had an annual patronage of 263,000,000 carried at five cents. To increase its revenues it increased its fares to 5½ cents (two tickets for eleven cents), and shortly after readjusted its rates by establishing an inner zone in which it anticipated no increase in riding habit, but in which its studies led it to the conclusion that it would receive patronage on a five cent fare at the rate of 63,000,000 annually. An outer and overlapping zone, including the inner zone, was created in which there were industries from which an increase in riding habit might have been expected. There was applied to it a seven cent rate applicable also to riders between the two zones. It was anticipated that there might be a falling off of 10 per cent from the total of 200,000,000 theretofore riding in it. Actual experience, over perhaps not sufficient length of time to furnish a conclusive answer, showed in the inner zone (five cents), a material increase in riding (73,000,000 riders) per year, while in the seven cent zone the loss exceeded that anticipated by sixteen to seventeen millions (63,000,000 riders).

Recently, I took the opportunity to emphasize the necessity for the electric railways to give more attention to the merchandising side of their business in order to increase the carriage of passengers. That satisfactory results would flow from a judicious handling of the situation would seem to be as certain as the sequence between advertising and the sale of goods by merchants: To attract car riders is a business proposition which the electric railways cannot afford to ignore.



GMC Quality Its Own Best Proof

When a product is built inherently good—good for its own sake—that fact will inevitably impress itself upon the minds of users and prospective users.

This is on the principle that truth will prevail. And this is the principle underlying the rapidly widening reputation of GMC trucks for plain, honest quality.

No motor truck can establish for itself lasting confidence unless its quality is proved by use. No business can become truly great and permanent unless founded on a sound and legitimate basis.

So GMC trucks are fast reaping the benefits of true quality—that genuineness of merit which reflects the high ideals of the builders.

GMC quality is fighting its own battle against every approach of inferiority.

GMC trucks are not only good, but able to prove it in performance.

That users keep on buying more GMC trucks is evidence of this fact.

Let your next truck be a GMC.

GENERAL MOTORS TRUCK COMPANY

Pontiac, Michigan

Branches and Distributors in Principal Cities

GMC TRUCKS

A New Slant on Honesty

The way to cure the black eye given our public service corporation is to keep clear of unsound finance and talk things over with the citizens

By **FESTUS J. WADE**

President of the Mercantile Trust Company, St. Louis

IF one will take a retrospective view of the public utilities situation, one will not be surprised why the public in general and the legislator in particular have treated, traded and trafficked with the public utilities in the manner they have during the past decade. Injustice is rarely done to capital without some underlying, fundamental cause. Let us see what public utilities in this country have done in years gone by.

The old method was, when franchises were sought from a municipality or legislature, to pay lobbyists and pass the bill. In many cases these bills were passed by bribery and corruption.

Take the case of the United Railways in the City of St. Louis. It being in my own city, I can talk frankly about it. The United Railways Corporation was conceived in sin and born in iniquity. Its originators bought some members of the municipality as you would buy so many hogs. Some of them were supported by the state at the penitentiary for their dishonor.

When a franchise was secured, the old methods of financing public utilities was called into vogue and the corporation tremendously overcapitalized and the securities sold to the public upon statements which any man of integrity and honor and experience would know in his heart were untrue. Four per cent bonds were foisted upon the public at 92 and preferred stock was sold at 94 and common stock at \$11.00 per share, when at that time the bonds issued represented considerably more than the real intrinsic value of the property or more than its ultimate earning capacity if the public were to be served equitably and justly.

What was the net result? Every investor that held these securities has lost from 25 to 50 to 75 per cent as the various classes of securities are marketable on today's market. Being overcapitalized and heavily bonded, inadequate service necessarily followed in order to show earnings. The rolling stock and roadbed and power plant was neglected until it was necessary to issue more bonds to the public to put the road in proper shape.

A Leader In Unpopularity

THEN, too, the bonds that were originally issued for a period of 25 years were based upon a franchise that expired in thirty years, without any provision whatever to take care of the bonds which matured. The public became disgruntled, the stockholders and bondholders became discouraged and disgusted until the most unpopular institution in St. Louis for the past twenty years has been the United Railways. The present management had to live down all of the misfortune and corruption of the original organizers and it is only during the past few weeks that the public of St. Louis has come to realize that the time to stop bating of the United Railways has arrived.

We had an election here in April and the campaign made by the Democratic party was bottomed on the compromise that was made by the city officials with the United Railways Co. The company in making the compromise were more than liberal, more than generous. They agreed to pay a tax which amounts to

two per cent on their gross receipts, which every thinking man, knowing the condition under which the tax was levied, believed to be unjust, although it was sustained by the Supreme Court of Missouri by a barren vote of four for and three against the collection of the tax.

That is a plain statement of the utility situation, generally speaking, throughout the United States. Of course, I realize there are exceptions here and there, but instances of the kind I have given of the origin of public utilities are more numerous than are those where the public utility was established on an honest, conscientious basis. So it has come to pass that savings banks, insurance companies, trust companies and large private investors shun public utilities or charge them such a high rate for money as to lay an onerous burden upon the corporation.

Now what is the remedy? Rigid, rugged honesty. A mortgage on a utility should never be issued again without an annual redemption of its bonds, so that when the franchise expires the bonded debt will be eliminated.

It may be said that this would be too heavy a charge on a corporation. My reply would be that the public utility that cannot earn five per cent on its bonds and set aside a fixed charge of \$70,000 per annum, plus the saving of interest on the amounts paid to liquidate the indebtedness, and pay a good, safe sound return to its stockholders, has no right to exist.

The next question arises as to how you are going to restore confidence in the people. Why, simply by taking them into your confidence. Tell them your story in an open, manly way. The street railway usually carries in passengers daily more people than there is population in a city. They are your patrons. They are paying the officers' salaries. They are paying capital interest on their investment and paying back the principal. They are paying the motormen, conductors, machine shop men. They, after all, the public, are paying the bill and why should not the public be educated as to just what a public utility means, what its obligations are, and what its trials and tribulations may be.

What tremendous opportunity the street car company has for the education of the public. If it will only have in the cars a plain statement of facts that may be picked up and carried off by any passenger at any time. I venture to say if such a campaign of this character was carried on that, before the year rolled by, the people who are inherently honest would not only assist bating your utilities but would insist upon your legislators giving you a fair, square, honest deal.

The same is applicable to the light companies. Why not, when sending out your gas bill or electric bill, put forth a statement of the company explaining its commercial and financial position?

Take your labor difficulties. How many of your employees know anything about your financial condition? Why shouldn't they know?

They are part and parcel of your organization. Without them your money is of no value, without their assistance and co-operation you cannot haul the passenger, nor light the buildings. Why should not a propaganda be started among your employees showing that unreasonable demand, whether it be from the legislature, banker or employee, is unreasonable, unfair and unjust, and why will they not respond just the same as any other human being?

Unfortunately, however, we have unwholesome conventions among us who conduct these properties. We orate, we criticize and we mourn, but I have yet to learn of one corporation that takes into its full confidence all its patrons and all its employees and all its stockholders and all its bondholders.

What The Marines Listened To

THE Federal Trade Commission has tried conclusions with the Navy Department. The Commission understood it was to move into another building. The Navy Department had an equally clear understanding that it had a right to the building. Governmental agencies are peculiarly subject to the well-established law of physics, that two bodies cannot at the same time occupy the same space. When the Commission began to act upon its understanding and transfer its household goods, the Navy called out the marines, in order to make sure the law of physics was not contradicted. Before such a redoubtable force the lawyers and economists beat a retreat, and there is now a local peace congress in session at Washington.

In the courts the Commission, meanwhile, was holding its own. The Federal Circuit Court of Appeals at Chicago on April 29 declared that the part of the Trade Commission law which makes unfair competition unlawful is valid. It said the Commission represents the Government as *parens patriae* and is to stop trade practices which have a tendency to injure competitors directly or through deception of purchasers, quite irrespective of whether the specific practices in question have been formerly held by the courts to be unfair. Besides, it can declare against a method used in the past, but subsequently discontinued, because it has no assurance that if left free a business house in the future might not resume its former course.

At the same time, the court took the view that a business house against which the Commission enters an order need not consider it has been singled out for reproof, when its standards have equalled those that generally prevail, but the action of the Commission is to be looked upon as an illustration of the better methods required for the future.

On only one point the court disagreed with the Commission. It held that a mere sale below cost was not necessarily a means of unfair competition, and that such a sale was illegitimate only when accompanied by incidents which made it an unfair method. Like everyone else, a business house, if it sees fit, can give away its property.

Westinghouse

ELECTRIC MOTORS AND CONTROLLERS

Speeding the Nation's Building

Up towards the clouds rises the skyscraper's lattice to the riveter's staccato beat—out in the residence district the bare beams of the cottage take shape to the sound of hammer and saw.

After a long period of industrial expansion for war the nation has begun to build again for peace

In promoting this resumption of activity, few, if any, factors have been of more importance than those which have helped to keep down building costs.

Here again Westinghouse has been able to perform a national service, by the application of electric power to the needs of the building industry.

At the very source of the materials Westinghouse power begins to make its advantages felt. It lifts and carries in the steel mill. It turns the rolls that shape the ingot into beams of steel. It molds brick, cuts timbers, grinds cement, fashions boards. It plays an important part in the making of paints and varnishes. Even the

glass in the windows feels its touch.

And everywhere it is doing the task with greater speed and efficiency, with less labor and lower overhead.

Thus does Westinghouse aid in bringing down costs and increasing volume, not only speeding actual construction work but vitalizing the entire building industry.

Scores of processes and operations have been shortened and made more economical by the application of Westinghouse Motors and other Westinghouse products, and Westinghouse engineers stand ready at all times to give manufacturers and builders the benefit of their long experience.

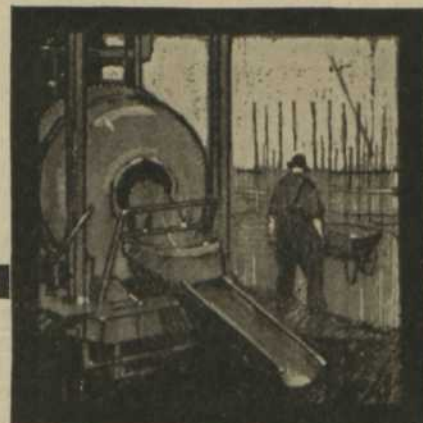
WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY
East Pittsburgh, Pa.



Westinghouse power rolls steel into beams and girders—



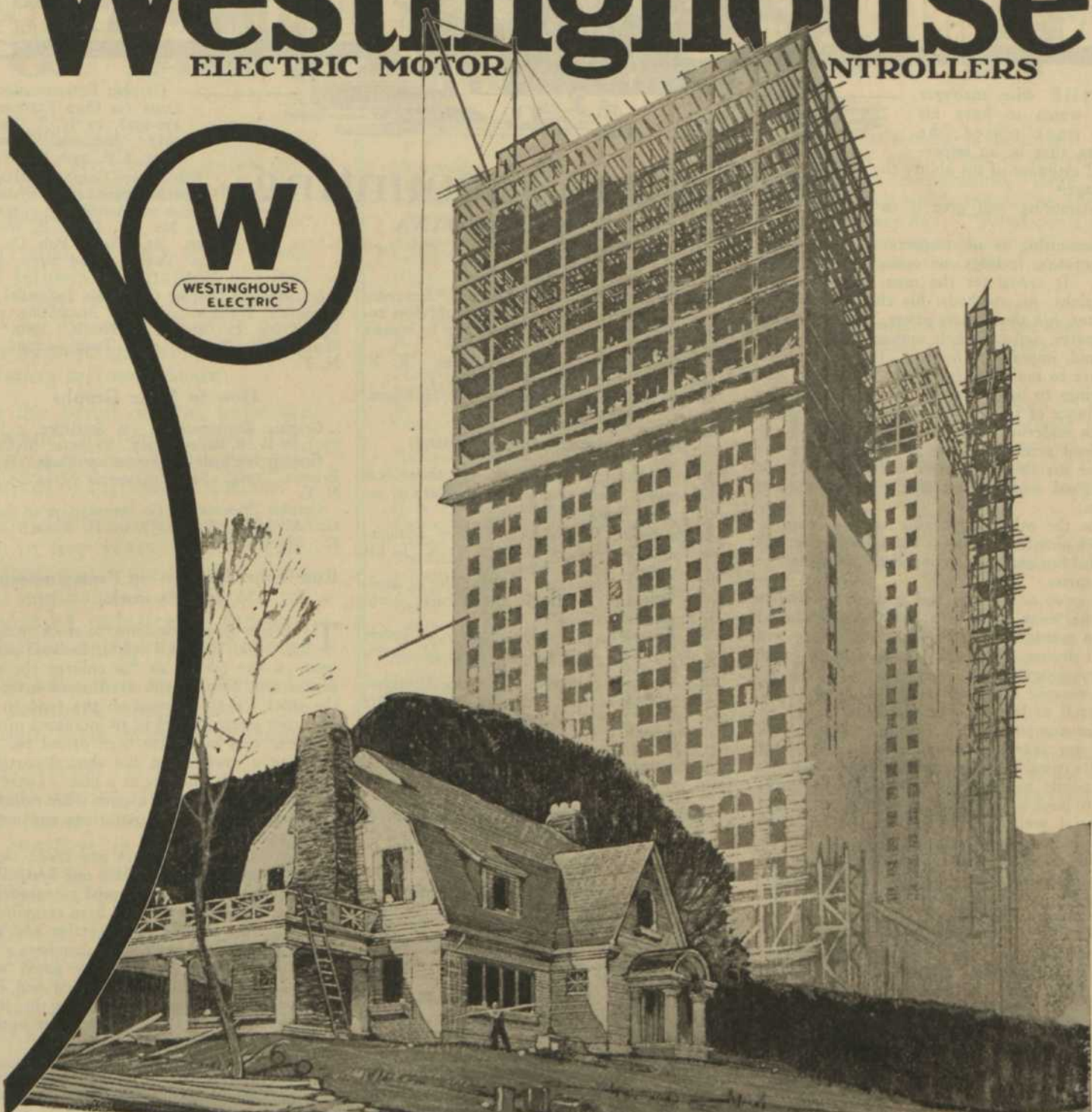
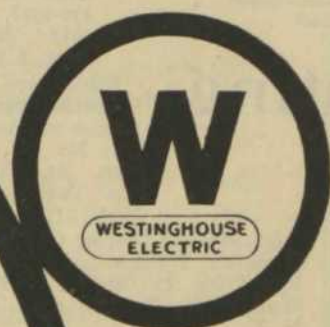
It cuts timber for cottage and mansion—



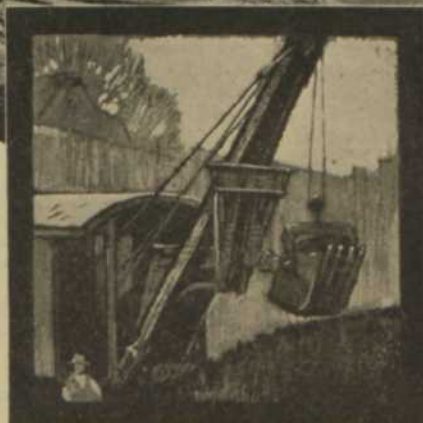
It drives the cement mill and the mixer—

Westinghouse

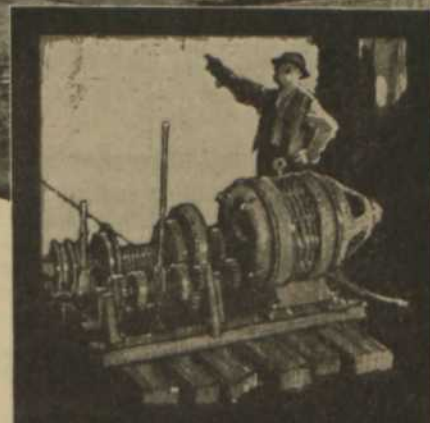
ELECTRIC MOTOR CONTROLLERS



It supplies the power that shapes the brick—



It grades and excavates without noise and smoke—



And serves in the same clean, quiet way on the building job.



THE wise manager wants to have his work tested; he wants, that is, an impersonal estimate of his ability to manage.

Accounting will give it to him.

Accounting is no respecter of persons, feelings, or opinions. It translates the man, his plans, his methods, his choice of subordinates, his short cuts, prices, discounts, cost estimates, and his whole managerial policy into cold, impersonal figures. It lays bare his failure to make his enterprise profitable; and it brings to light also the poor judgment, the ignorance of facts and the lack of imagination which underlie his failure.

Good accounting lays on the manager the blame for the poor work and the credit for the good work of employees, for he chooses them.

On the other hand, this same accounting shows plainly that to the manager goes credit for profits and for the sound condition of the enterprise.

A good accounting and cost system shows up the weak spots in a business. It should tell a manager what lines of product pay and what do not. It should enable him to gauge the efficiency of each department and to trace the reasons for inefficiency and waste of material or labor where such exist.

But accounting does far more than test a manager; it tests a whole business; tells where profits come in and where and how the losses go; points to good work in this department and to poor in that; finds wasted material and material well used, and puts its finger on leaks as well as on savings.

The manager is rarely an accountant and does not need to be. He does need to understand the reports the accountants prepare and to be able to draw conclusions from them.

The practice of applying expert accountancy and careful study of costs to going concerns has spread rapidly in recent years,—and it was high time that it spread. Today one of the most reassuring aspects of business life is the growth of the habit of subjecting concerns of every kind to the ruthless dissection of accountant and cost student. And nowhere is this growth more clearly in evidence than in the output and popularity of good books on these subjects. Ten years ago it would not have been possible to make lists of books and articles like those which follow, for they did not exist. Today they are here; new and better ones come tomorrow, and they are freely bought.

Books on Accounting for the Executive

MOST books on accounting and costs are written for experts; some, however, are written from the point of view of the executive, and tell him what he should learn from the reports of his accounting department, and how to use those reports as guides.

Accounts, their Construction and Interpretation, for business men and students of affairs. W. M. Cole. 1908. \$2. Houghton Mifflin.

Cost Reports for Executives. B. A. Franklin. 1913. \$5. Engineering Magazine Co., N. Y.

Accounting Every Business Man Should Know. E. E. Garrison. 1909. \$1.20. Doubleday.

Books on Accounting

By JOHN COTTON DANA

Librarian, Free Public Library, Newark, New Jersey

Cost Finding. D. S. Kimball. 1917. Alexander Hamilton Institute. Not for sale by publishers except to their own students. May often be bought second hand.

Principles of Factory Cost Keeping. E. P. Moxey. 1918. \$1. Ronald Press, N. Y.

How to Find Factory Costs. C. B. Thompson. 1916. \$3. Shaw.

Brief Articles on Accounting

IF a book seems too much, try these few chapters. They give essential points in accounting for executives.

Administrative Statistics (in Factory Administration and Accounts, p. 380-385), by E. T. Elbourne. 1914. \$7.50. Longmans.

Principles of Accounting (in Principles of Business, p. 684-794), by C. W. Gerstenberg. 1919. \$5. Prentice-Hall, Inc., N. Y.

Cost Accounting (in Administration of Industrial Enterprises, p. 169-187), by E. D. Jones. 1916. \$2. Longmans.

Cost Accounting Records (in Office Organization and Management, p. 273-284), by C. C. Parsons. 1917. \$2.50. La Salle Extension University, Chicago.

Using Cost Data to Control Operations (in Operation and Costs, p. 172-216). 1915. \$2.50. Shaw.

Accounting Reports that Save an Executive's Time

AS in advertising, the fewer mental steps the reader has to make, the more successful the advertisement; so reports of an accounting department should call for the least possible working out by the manager. If an accountant must interpret them as well as make them, they are of little help.

The good accountant presents much of his report in diagram,—that is graphically. Hence the references to books on Graphics.

Standard Reports (in Shop Expense, p. 198-229), by N. T. Ficker. 1917. \$3. Industrial Management, 6 East Thirty-ninth St., N. Y.

Statistics as an Aid (in Cost Reports for Executives, p. 123-132), by B. A. Franklin. 1913. \$5. Engineering Magazine Co., N. Y.

Statistical Records and Reports (in Cost Finding, p. 288-306), by D. S. Kimball. 1917. Alexander Hamilton Institute. Not for sale by publishers except to their own students. May often be bought second hand.

Graphs and Charts in Accounting

Behind the Figures (in Copeland, M. T. Business Statistics, p. 583-592), by A. E. Anderson. 1917. \$3.75. Harvard University Press, Cambridge, Mass.

Charts and Diagrams (in Advanced Accounting, p. 424-427), by L. R. Dicksie. 1911. \$8.40. Ronald Press, N. Y.

Graphic Charts (in Municipal Accounting, p. 322-326) by D. C. Eggleston. 1914. \$4. Ronald Press, N. Y.

General Methods by Curves or Graphs (in Estimating the Cost of Work, p. 4-9), by W. B. Ferguson. 1915. \$1. Engineering Magazine Co., N. Y.

Graphic Determination of Costs (in Shop Expense, p. 171-197), by N. T. Ficker. 1917. Industrial Management, 6 E. 39th St., N. Y.

Statistic and Graphic Charts (in Industrial Organization, Systematization and Accounting, v. 3. Report No. 11. B. C. E. Woods. 1909. \$3. Woods Pub. Co., 27 East Twenty-second Street, New York.

Statistic and Graphic Charts (in Industrial Organization, Systematization and Accounting, v. 3. Report No. 11. By C. E. Woods. 1909. \$3. Woods Pub. Co., 27 East Twenty-second St., N. Y.

How to Make Graphs

Graphic Representation (in Statistics, p. 109-130), by W. B. Bailey. 1917. 60 cents. McClurg. Graphic Methods for Presenting Facts. W. C. Brinton. 1914. \$4. Engineering Magazine Co., N. Y.

Graphic Presentation (in Introduction to Statistical Methods, p. 193-233), by H. Secrist. 1917. \$2. Macmillan.

Run Your Business on Facts Instead of Guesswork

THE easy going decisions "to stock up heavily on bar pins this winter because people seem to like them", or "to enlarge the shoe department because you need more space for the stock", may be steps on the road to the bankrupt court instead of to increased profits. The bar pins may have been priced too low to bring a profit; and the shoe department may be actually running at a loss. These are the kinds of things that happen when estimates are made on rough computations and not on accurate cost figures.

Progressive trade papers and trade associations have recently worked out systems of accounting particularly adapted to specific industries. The systems have been compiled by experts, after studies of industries and with the cooperation of association members. Ask your own association and trade paper what are the best systems of accounting and costs for your business, and learn what they have done in this line. If they have done nothing it is time they wake up.

The National Wholesale Grocer's Association, 6 Harrison St., N. Y. C., has "A System of Operating Accounts for Wholesale Grocers", issued as Special Bulletin No. 19, dated, October 25, 1916.

The American Printers' Cost Commission, 608 S. Dearborn St., Chicago, has a cost-finding system for employing printers, endorsed by the United Typothetae of America, and is in use by its members. By its use printers secure accurate average costs of the several departments of printing production.

The advantages of a uniform system of accounting are well put by the Federal Reserve Board, Washington, D. C., in the preface to a pamphlet (free) on "Uniform Accounting, a tentative proposal to be adopted by manufacturing and merchandizing concerns." This is of great interest to banks, for they constantly pass on credits which are based upon statements made by manufacturers and merchants. It is important for merchants and manufacturers, because their credit sometimes

(Concluded on page 86)

How are the future executives of business being trained?

EVERY day in business, new men are moving to the top. What sets these men apart for progress?

In what do they differ from their fellows? In natural ability? Yes. But chiefly in something else—in the training that gives them sure judgment and an unhesitating self-confidence.

In the panel on this page are the names of twenty great corporations, representing aggregate resources of billions of dollars.

How are the men being trained who, in five years, or ten years, or fifteen years are to head these great companies? How are the captains of industry of the next generation equipping themselves?

The answer is to be found in the numbers that follow the names of these twenty companies.

Over 3700 men—the ablest, most promising younger men in these twenty leading companies are enrolled in the Alexander Hamilton Institute's Modern Business Course and Service.

With all the resources of modern business at their command, these 3700 men have decided that this Course will fit them best for really big things.

Surely such a training, so magnificently endorsed, is worthy of your investigation at least.

The Institution that trains men to be executives

FOR ten years the Alexander Hamilton Institute has been entering one American business organization after another—always with the approval of the higher executives.

It is the Institution that has proved its power to train men for positions of executive responsibility. It offers only one Course;

Companies in which there are more than 100 subscribers for the Modern Business Course and Service.

Armour and Company.....	135
Bethlehem Steel Company.....	159
Burroughs Adding Machine Company	104
Commonwealth Edison Company of Chicago.....	104
E. I. duPont de Nemours and Company	254
Ford Motor Company.....	329
General Electric Company.....	490
B. F. Goodrich Company.....	123
Goodyear Tire and Rubber Company	220
National Cash Register Co.....	181
National City Bank of New York	132
New York Telephone Co.....	109
Pennsylvania Railroad Company	135
Standard Oil Company of California	161
Texas Company	107
United States Steel Corporation	405
Western Electric Company.....	146
Western Union Telegraph Company	116
Westinghouse Electric and Manufacturing Company	273
Winchester Repeating Arms Company	107

it has no specialized training to fit men for departmental positions of limited opportunity.

Its business is to take men who know only one department of business—whatever it may be, and to add a knowledge of organization, of sales, of merchandising, of credit, of corporation finance, of advertising, of accounting, of investment, of traffic and of costs.

It gives such men the knowledge of all departments that will fit them to direct the work of other men.

Advisory Council

The Advisory Council of the Institute consists of:

Frank A. Vanderlip, President of the National City Bank of New York; General Coleman duPont, the well-known business executive; John Hays Hammond, the eminent engineer; Jeremiah W. Jenks, the statistician and economist; and Joseph French Johnson, Dean of the New York University School of Commerce.

This advertisement is addressed to two types of men. First to the chief executives of corporations, large or small. In such men's minds the question arises every day: "What can I do to be sure that my company will make steady progress thru the next ten years?"

Are you content to stand still while your competitors outstrip you?

HERE is one thing you can do today. You can investigate an Institution that has proved its power to increase the chief asset of the twenty great corporations listed on this page.

You can help your men to grow; and their growth will automatically take care of yours.

And the advertisement is addressed also to every man who is looking toward the future; to every man who is asking himself, "Where am I going to be ten years from now?"

If you are such a man; if you want the next ten years to bring you satisfaction instead of regret, a moment's decision now may change the whole record of your future.

Investigation is simple

THE Alexander Hamilton Institute courts the fullest investigation. Some of the 85,000 men who have benefited by its training are in your very neighborhood; ask them.

Or—to make the matter even more simple—send for "Forging Ahead in Business," the 112-page book that has grown out of the Institute's ten years of training men for success.

It is a book full of valuable information; it tells what the Institute has done for other men, and other companies—and it is free.

Send for your copy now.

ALEXANDER HAMILTON INSTITUTE

118 Astor Place New York City

Send me "Forging Ahead in Business" FREE

Name *Print here*

Business Address

.....

Business Position



What to Do with the Railroads

A timely and complete study of the perils and possibilities of our transportation system with some sane suggestions from the business viewpoint

FEW persons would have had the courage to attempt a complete survey and digest of the enormous railway problem of the United States. So great are its ramifications, so elusive its ills, and so diverse the ideas of the country's best minds on what ought to be done, that it would require more than the brain and physical endurance of one man to complete the task.

If one man could not do it, a body of them could. The report presented herewith represents the thought of some of the best business minds of the country. They are not minds that are so deeply engrossed in the detail and tradition of the work that they lose the picture—one of them is a bishop! *THE NATION'S BUSINESS* is presenting this report in the belief that it is a distinct contribution to the subject, and that its value is enhanced by the fact that Congress is soon to meet and act upon the matter.

This material was originally submitted to the Chamber of Commerce of the United States which formed the committee.

Remedial Legislation

A CORRECT and adequate answer to the question, "What shall be done with the railroads?" is a pressing necessity. It is most important that Congress at the forthcoming special session should find the answer and enact it into appropriate legislation. The railroad problem is, however, intricate and involved with many factors hard to determine. The Railroad Committee has sought diligently to eliminate the unknown factors and to find a correct general solution of the problem. Its conclusions and recommendations are:

Adherence to the policy of corporate ownership and operation of the railroads, under a comprehensive system of Government regulation.

The return of the railroads to their owners as soon as remedial legislation can be enacted, and that no extension of the period of Government operation should be made until Congress shall have found it impossible to enact the required legislation within the period possible under the Railroad Control Act.

That while adhering to the principle of railroad competition in service, the railroads be allowed, in the public interest, when so declared, and as approved by public authority, to consolidate to such extent and in such manner as may be necessary to enable the existing railroads to unite in a limited number of strong competing systems, so located that each of the principal traffic centres of the country shall, if possible, be served by more than one system.

That railroad companies engaging in interstate commerce shall be required to change from state to federal corporations, with suitable provisions in the Act of Congress providing therefor, that the several states shall retain the power of taxation and police regulation of the properties of said railroads.

That the Interstate Commerce Commission, or such Federal agency as may be desig-

nated by Congress, be authorized to pass upon the public necessity for expenditures of capital (in excess of a stipulated amount) by carriers engaged in interstate commerce, and to determine the amount and to regulate the other conditions of the issuance of securities to obtain the funds required to cover authorized capital expenditures.

The Men Who Did It

GOVERNMENT officials, railroad managers, security holders, representatives of the employees and others are giving the tangled railroad situation serious study with a view to finding a definite solution. *THE NATION'S BUSINESS* is fortunate in being able to present here the views of the Railroad Committee of the Chamber of Commerce of the United States. The chairman is George A. Post, president of the Standard Coupler Company, and formerly President of the Railway Business Association.

The committee's recommendations are concurred in by the following well-qualified men who have assisted the chairman in the investigations: Walter S. Dickey, W. S. Dickey Company, Kansas City; F. C. Dillard, Head, Dillard, Smith, Maxey and Head, Sherman, Tex.; Stephen A. Foster, Butler, Lamb, Foster and Pope, Chicago; Edward J. Frost, vice-president William Filene's Sons Company, Boston; Thomas F. Gailor, Bishop of Tennessee, Sewanee, Tenn.; Emory R. Johnson, professor of transportation and commerce, University of Pennsylvania, Philadelphia; Charles E. Lee, Ford, Bacon and Davis, consulting engineers, Chicago; W. Z. Ripley, professor of transportation, Harvard University; Alexander W. Smith, Smith, Hammond and Smith, Atlanta; Charles F. Wright, vice-president First National Bank of Susquehanna, Susquehanna, Pa.—*THE EDITOR*.

That a railroad, applying to the Federal agency for authority to make capital expenditures, or to issue securities, shall be required to file with the proper authorities of the States in which the railroad is located copies of the original petition; and that the Federal agency be required to notify the said State authorities of the hearings upon the petition, in order that they may advise the Federal agency as to the actions they favor.

That the Interstate Commerce Commission be given authority by statute to regulate intra-state rates, when those rates affect interstate commerce.

The enactment of a statutory rule providing that railroad rates and fares authorized by the Interstate Commerce Commission shall be designed to yield the railroad companies, in each of the traffic sections that shall be designated by the Commission, aggregate revenues which will provide (after provision has been made for renewals and depreciation) such net return upon a fair value (determined by public authority) of the property devoted to the public use as will be sufficient in amount to enable the carriers to obtain at reasonable cost the capital required to furnish the public with adequate facilities and efficient and economical service.

The enactment of a statutory rule whereby railroad systems, having a net corporate income in excess of an equitable minimum return upon a fair value (determined by public authority) of their property devoted to public service, shall be required to turn over a stipulated share thereof to a fund to be employed, as Congress may direct, to strengthen the credit of the railroads as a whole and to enable them to serve the public with greater efficiency.

That a Federal Transportation Board be created, whose general duty it shall be to promote the development of a national system of rail, water and highway transportation, and thus to make possible the articulation and economical use of all the facilities, including tracks, terminals and transfer facilities, of steam and electric roads, waterways, and hard-surface highways.

Corporate Ownership

IN explaining the recommendations, the report amplifies each of the subjects above. It says:

The Committee is opposed to Government ownership and operation of the railroads in the United States. It is also opposed to their purchase by the Government for lease to private corporations to operate. The Committee favors a comprehensive system of Government regulation and believes that more adequate facilities, a more progressive and economical service and lower rates, can be secured from corporate, than from Government, ownership and operation of the railroads. The Committee is opposed to Government ownership and operation because:

Under Government ownership the development of railroad facilities would depend upon Congressional appropriations, which would prevent the anticipation of the transportation needs of the country. Appropriations would not be made in the amount and at the time needed to insure adequate development of the railroads. Political considerations might also control the amount of appropriations and the objects for which they were made.

The interest rate which the Government would have to pay to secure railroad capital would not be lower than the rate paid by corporations. To acquire the railroads the Government would have to pledge its credit for 18 to 20 billions of dollars, at a time when other large financing must be done. It would be difficult for the Government to dispose of the securities required to purchase the railroads, and it would be necessary for the Government to secure from five hundred million to one billion dollars of new capital each year. If the Government were to assume the burden of financing the railroads at the present time when the war debt is so large, its interest rate would necessarily be as high as, if not higher than, the rate at which the corporations could secure capital.

Government operation is seldom, if

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ever, as efficient as corporate management. Competition, the incentive to efficiency and progress in private enterprises, is absent from the Government administration of affairs. Individual initiative is less, bureaucratic methods are more characteristic, and the services rendered are less progressively efficient.

While the Government would presumably select officers and employees by means of efficiency tests, political influences would almost certainly be given weight in selecting men for official positions.

Unless the Government adopted the policy of fixing low rates and fares with the intention that any resulting deficit from operations should be placed as an increased burden of taxes upon the general public, rates and fares would be higher under Government than under private operation. Under Government operation expenses rise in relation to income and the charges imposed by the Government if a deficit is to be avoided must be higher than those which it would be necessary to permit railroad corporations to make.

The political effect of Government ownership and operation of railroads in the United States might be serious. There are now about 500,000 civil employees of the Government. The addition to the public services of 2,000,000 railroad employees, the majority of whom are voters, would constitute a force of about 2,500,000 Government employees interested in controlling the policy of the Government as regards wages, hours and conditions of service. Such a body of employees might easily exercise a controlling influence upon state and national politics.

No Extension of Time

THE Committee is convinced that it would be unwise for the Government to retain the railroads longer than is necessary to enact the legislation required for the return of the properties under conditions that will be just to the owners and will insure to the public adequate transportation facilities by properly financed railroads. This legislation should be enacted as soon as possible and before the Government retires from railroad operation. It would be a hardship to the public and unjust to the owners of the roads were the Government to return the properties without first removing the obstacles to efficient and economical operation of the railroads by their owners, without revising past methods and agencies of Government regulation, or without adopting measures that will enable the carriers to obtain revenues sufficient to provide the public with adequate facilities and efficient service. As soon as this legislation has been enacted, Government operation of railroads should end.

The Director General of Railroads has recommended that the period of possible Government operation of railroads be extended until

January 1, 1924, in order that a test may be made of the possibilities of Government operation of railroads in peace time and that the Government may carry on the work it has begun of developing the use of waterways, of connecting them with the railroads and of articulating rail and water traffic. The Director General presents a picture of a national transportation system resulting from the balanced development and the traffic articulation of waterways and railroads.

The Railroad Administration is to be commended for having sought to increase the use of waterways and to organize their traffic, to bring about a development of port terminal facilities and to unite rail lines and water channels into a general system of transportation. This work so wisely begun should be continued by the Government until accomplished, even though it is advisable to return the railroads to their owners at an early date. Suggestions for the development of a unified national system of rail, water and highway transportation are embodied in this report.

The Committee hopes that legislation for the return of the railroads can be enacted during the present calendar year. Every effort should be made to frame and pass the necessary laws and it is believed that the necessary legislation can be enacted within 21 months after the proclamation of peace—the period of possible Government operation of railroads under the act of March 21, 1918.

To press upon Congress that it shall declare its inability to enact the necessary legislation within a given period, before it has undertaken the task, would be unwise. It is

the belief of the Committee that Congress, confronted by the grave railroad situation now existent, will apply itself energetically to the consideration of the legislative measures required for its cure, and will be able to accomplish its task within the statutory period now prescribed for federal control. If the Congress should find its task impossible of accomplishment within the time prescribed, then, and not until then, should an extension of the period of federal control be made.

Consolidation

IT is the opinion of the Committee that legislation should be enacted that will facilitate the early grouping and the ultimate consolidation of the railroads in the United States into a limited number of strong competitive systems. The grouping should be about the present large systems and not by territorial subdivisions of the country.

The existence of so many railroad systems as there now are increases the difficulty of coordinating their facilities and services to the extent necessary to secure the most economical operation. Moreover, some of the present roads are financially weak and their continuance as separate systems complicates the Government's problems of rate-making, of the common or joint use of equipment and facilities, of the regulation of security issues and of reestablishing the financial credit of the railroads as a whole. If the railroad systems that are financially unstable and the many systems of minor importance can (subject to the approval of the Government, and under conditions which it may prescribe) be grouped, or consolidated, with a limited number of strong systems, a better service can be rendered and a larger development of lines, terminals and other facilities will be possible.

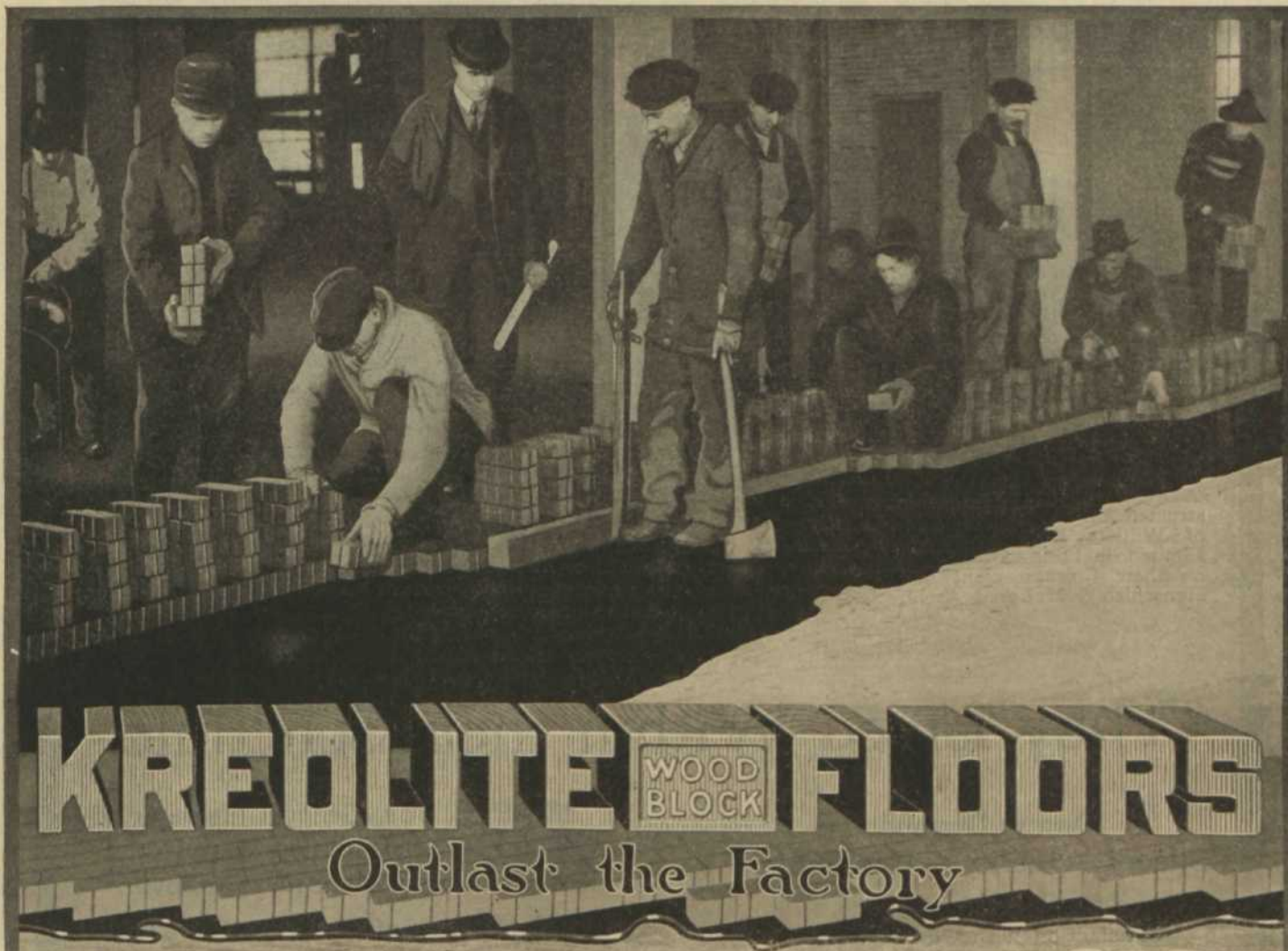
Without sacrificing the benefits of competition in service, the Government should facilitate the coordination of railroad facilities and services, the common use of equipment, and the joint use and development of terminal facilities, when in the public interest.

The consolidation of railroads, as well as the coordination of their facilities, should be subject to the approval of the Government; and, with such authorization required, the railroads should be encouraged to work out the natural grouping of systems and to combine their facilities in the interest of traffic economy and of financial stability.

Many states have laws against the combination of railroads, and, in the constitutions of several states, there are provisions prohibiting the acquisition by a railroad of another competing line. The obstacles which these state laws and constitutional provisions place in the way of the associated activities and the consolidation of railroads may be removed by changing the status of railroad companies from State to Federal corporations, as recommended in this report.

While favoring the early grouping and ultimate consolidation of the railroads in the United States into a limited number of strong systems, which shall be built upon the large systems which have developed in response to commercial needs, the Committee feels that competition among these systems, in service (not in rates), is desirable from the standpoint of the public and will lead to greater efficiency of operation on the part of the railroads. *In all kinds of business the most effective incentive to improvements and to economy of operation is competition.* In the case of the railroads the same charges must be made for similar services. Rates and, to a large extent, the practices of carriers must be regulated by the Government, but regulation





Laying Kreolite Wood Block Floors in Buick Automobile Factory

—74,700 Square Feet Now in Place on Two Floors of Modern Aluminum Plant

THE adaptability, permanence, and special fitness of Kreolite Wood Block Floors have been so clearly demonstrated for factory and other uses, that no modern plant can well afford to be without them.

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Our Factory Floor Engineers have shown such satisfactory results in laying them over worn floors while production went on without noticeable interruption, that their use has become almost universal in all well ordered factories.

THE success of Kreolite Wood Block Floors lies in the scientific design of the blocks, our method of preserving them against decay, and the scientific study given each specific installation.

THOROUGHLY impregnating the well seasoned selected blocks with Kreolite Preservative Oil, by our own patented process, absolutely insures them against decay. Only the tough end grain of the wood is exposed in our method of laying.

* * *

AN excellent example is shown in the illustration of how Kreolite Floors were laid in the new and thoroughly modern aluminum foundry of the Buick Division of the General Motors Corporation at North Flint, Michigan.

On two floors of this modern foundry, 74,700 sq. ft. of Kreolite Groove Block has been laid. Absolute smoothness must be secured in core room floors to prevent breakage.

Severe heat conditions are encountered in the foundry. In other spots where moisture must be combatted.

EVEN though these conditions were especially trying, the Buick Company was so well pleased with this installation in their aluminum foundry that they have just placed an additional order for 112,500 sq. ft. of Kreolite Groove Block for installation in their gray iron foundry.

* * *

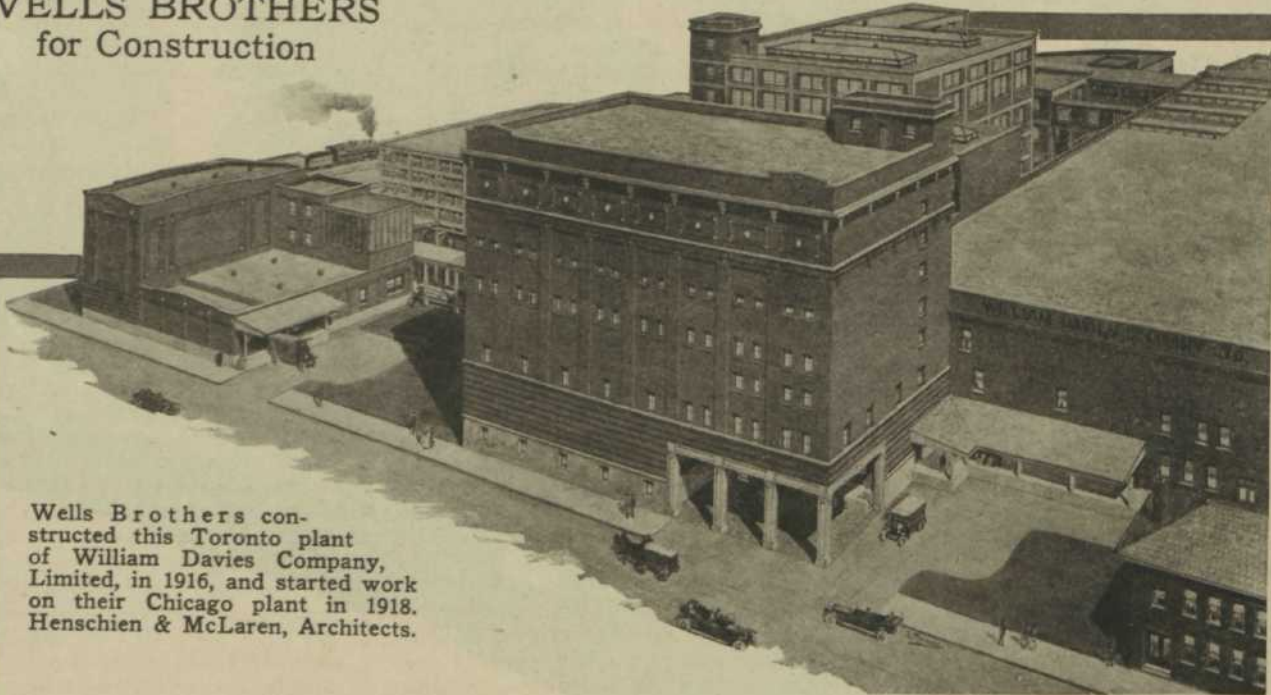
KREOLITE Wood Block Floors are especially adapted for use in machine shops, foundries, warehouses, loading platform, area ways, round-houses, paper mills, tanneries, stables and garages.

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Mr. E. C. Fox, General Manager of William Davies Company, Limited, recently expressed himself as follows:

"My opinion of Wells Brothers Construction Co. stands so high that I find it difficult to write a letter without apparently seeming to overdo it. Both in their estimate to do work, and in their estimate of costs, I find they lived within their schedule."

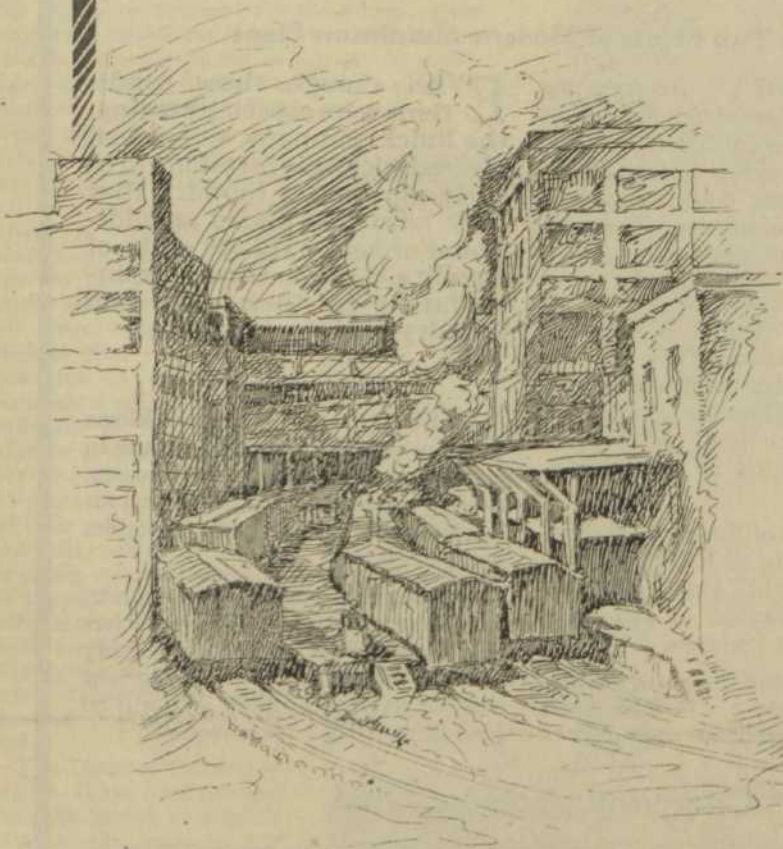
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does not preclude the possibility of active competition in service. In facilitating railroad consolidation, the Government need not, and in the interest of the public should not, eliminate railroad competition.

Federal Incorporation

BY Referendum 21, which was submitted by the Chamber of Commerce in September, 1917, the commercial organizations of the country, with comparatively few dissenting votes, declared themselves in favor of the enactment of a Federal incorporation law and also of a law requiring all carriers now subject to the jurisdiction of the Interstate Commerce Commission, or which may hereafter be created, to organize under a Federal Incorporation Act.

It has been represented to the Committee by eminent jurists that Congress can enact a statute that will provide a simple process of converting state railroad companies engaged in interstate commerce into Federal corporations by methods similar to those followed in changing state banks into national banks.

If such a plan shall be found to be constitutionally feasible the Committee commends to the Congress consideration of nationalizing railroad corporations, engaging in interstate commerce, by the enactment of a statute similar in principle to that of the National Bank Act which provides a direct method of converting State banks into Federal institutions.

In requiring railroad companies to change from State to Federal corporations, Congress should provide that the States shall retain the power of taxation and police regulation of the property of the Federal railroad corporations.

Expenditures

THE organization members of the Chamber of Commerce of the United States, in acting upon Referendum 21, voted almost unanimously in favor of Federal regulation of the issuance of the securities of railroad companies engaged in interstate commerce. It is the opinion of your Committee that Federal authority should also regulate large capital expenditures.

In acting upon applications of the railroads for the approval of security issues, or large capital expenditures, the Federal agency will need to inquire as to the public necessity for the work proposed to be done, the amount of capital that will need to be expended, and, if securities are to be issued, what amount thereof will need to be authorized to enable the carriers to obtain the funds required for the execution of the work which the Government may find to be of public necessity.

In order that the State authorities may assist the Federal agency to obtain as complete knowledge as possible of the local needs for additional railroad facilities and of the expenditures required to meet those needs, the Federal agency should require a railroad company, applying for permission to issue securities or to make a large expenditure of capital, to file with the authorities of the States in which the railroad in question is located copies of the original petition to the Federal agency which should notify the interested State authorities of the hearings upon applications for approval of security issues and capital expenditures in order that they may have full opportunity to advise as to the actions they favor.

Intra-State Rates

THE recommendation that the Interstate Commerce Commission be given authority by statute to regulate intra-state rates when those rates affect interstate commerce was

approved by the organization members of the Chamber of Commerce of the United States in November, 1917, with comparatively few dissenting votes. This action having been taken shortly before the United States took over the operation of the railroads, Congress has had no opportunity to act upon the question. It is therefore deemed necessary and important by the Committee, that this recommendation shall be included in its present report as a part of the plan for remedial railroad legislation.

The experience of the past two years has confirmed the Committee in its conviction that regulation by the several States of such intra-state rates as affect interstate commerce interferes with the effective and uniform regulation of interstate rates by the United States Government. Indeed, conflict, detrimental to the public interest, has arisen with respect to the jurisdiction of the state commissions and the Interstate Commerce Commission over intra-state rates, even when it was clear that such rates affected the interstate rates subject to the regulatory power of the Federal Government.

For these reasons, the Committee feels it a requirement of the existing situation that the organization members of the Chamber of Commerce should again declare their opinion upon this question, in the light of the developments since November, 1917.

The Question of Income

THE interests of the public require that the income of the railroad companies shall be sufficient to enable them to secure readily and economically the capital required to provide adequate facilities. In carrying out this principle special difficulty results from the fact that the same rates will yield the more prosperous companies more revenues than they need while the less prosperous companies, due to their unfortunate situation or to their past history, are unable to secure income sufficient to enable them either to develop their facilities in proportion to the needs of the public, or to perform the services required by the section of the country in which the roads are located.

Your Committee believes that the most practicable way to provide the railroads of the United States, as a whole with adequate revenue, and thus re-establish railroad credit, is to authorize the Interstate Commerce Commission to divide the country into such traffic sections as may seem to the Commission wise, and to direct the Commission by a statutory rule to fix such rates and fares as will yield the railroad companies, in each of such traffic sections as shall be designated by the Commission, aggregate revenues which will provide—after provision has been made for renewals and depreciation—a net return that will enable the carriers to furnish the public with adequate facilities and efficient and economical services.

The Committee is not in favor of a Government guarantee of a minimum return to each railroad company either upon its capitalization or upon the property which it devotes to the public service. A Government guarantee would tend to lessen initiative and to cause both the prosperous and the unprosperous roads to feel less responsibility for efficient management.

While not favoring a Government guarantee of a minimum return, the Committee believes that Congress ought to adopt a statutory rule providing that the public authority which fixes the railroad rates shall assure reasonable revenues to the railroads as a whole and in each of the natural traffic sections of the country. The Committee is of the opinion that such a statutory rule can be enforced

without placing an unjust burden upon the public and without causing the individual railroad companies to obtain excessive profits.

For the purpose of securing an equitable enforcement of a statutory rule of rate making and of enabling the railroads of the United States as a whole and by natural traffic sections to secure adequate revenues without permitting the individual companies to obtain excessive profits, your Committee recommends the enactment of a statutory rule providing that individual railroad systems, that may obtain from rates fixed by public authority net corporate income in excess of an equitable minimum return upon their property devoted to the public service, it shall turn over such share (one-half or one-third) of their excess profits to a fund to be employed, as Congress may direct, to strengthen the credit of the railroads as a whole and to enable them to serve the public with greater efficiency.

The proposed statutory rule would deprive none of the present prosperous roads of an equitable or even a liberal return upon their property devoted to the public service, nor would it take away from them the incentive to economical and efficient management. At the same time, it is believed that the excess profits of the more prosperous companies will be sufficient to create a fund by means of which the credit of the railroads as a whole can be substantially strengthened. Your Committee believes it will be possible for the Interstate Commerce Commission to establish general schedules of rates and fares that will provide the railroads of the United States as a whole with adequate revenues and that will prove effective in re-establishing railroad credit.

A Central Body

THE development of a national system of transportation is a public necessity. Up to the present time the steam and electric railways, the waterways and highways have been developed separately without reference to a common plan and without thought of creating, from the various agencies of transportation, a unified system.

The time has come when the waterways of the country as a whole should be systematically developed according to a definite plan. Their larger use should be made possible by connecting them with the railroads at river, lake and ocean ports and by enabling shippers to send their traffic by the most economical combination of rail and water routes.

The work which the Railroad Administration has so happily begun of providing for the traffic use of important rivers and canals and of articulating the railways with the waterways in a traffic sense, should be continued after the railroads have been returned to their owners.

The development of highway transport should be facilitated with a view to the co-ordinated use of all transportation agencies. While the people of the United States have been creating an exceptionally economical system of transportation by rail, highways have been relatively neglected and the expenses of carrying freight to and from the railroads are, in most instances, greater than the cost of the railroad haul. The systematic development and the organized use of hard surface highways will greatly reduce the transportation burdens borne by the people of the United States.

It is also important that provision should be made for the common use and construction of terminal and transfer facilities at all the larger traffic centers of the country; but, unless some Federal authority is vested with power to bring about the common use of ter-



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minal and transfer facilities, and their joint construction by the carriers (in so far as that may be in the public interest), it is practically certain that the present expensive methods of terminal operation will be indefinitely continued.

The development of a unified national system of transportation is an executive task that can be performed only by creating a board primarily administrative in purpose and organization. The Interstate Commerce Commission, in the regulation of rates and in the supervision of the capital expenditures and the security issues of railroads, will have as much work as it can successfully perform. Your Committee has not suggested taking from the Interstate Commerce Commission any of the functions it has thus far exercised, and the Committee recommends a large addition to the duties of the Commission. It would, however, be unwise to impose upon that body the large and exacting task of guiding and facilitating the development of a national system of rail, water, and highway transportation. That work should be undertaken by an especially created Federal Transportation Board.

Books on Accounting

(Concluded from page 78)

suffers through losses incurred by banks which have given credit to firms whose statements do not correctly reflect conditions.

The Federal Trade Commission, Washington, D. C., has issued "A System of Accounts for Retail Merchants" and "Fundamentals of Manufacturers' Cost Systems" which may be secured from them free. These were compiled by experts after consultation with merchants and manufacturers and suggest simple and practical methods.

Ten Good Books on Accounting: Theory and Practice

- Science of Accounts. H. C. Bentley. 1911. \$3. Ronald Press, N. Y.
- Accounting Practice. C. M. Day. 1908. \$6. Appleton.
- Accounting Practice and Procedure. A. L. Dickinson. 1914. \$3.50. Ronald Press, N. Y.
- Applied Theory of Accounts. P. J. Esquerré. 1914. \$3.50. Ronald Press, N. Y.
- Accounting Theory and Practice; a first year text. R. B. Kester. 1917. \$2.50. Ronald Press, N. Y.
- Principles of Accounting. W. A. Paton. 1918. \$3.50. Macmillan.
- Accounting Principles. S. F. Racine. 1913. \$3. Western Institute of Accountancy, Commerce & Finance, Seattle, Wash.
- Philosophy of Accounts. C. E. Sprague. 1910. \$3. Spectator Co., 135 William St., N. Y.
- Principles of Accounting. J. R. Wildman. 1913. \$2.50. University Book Store, N. Y.
- Unified Accounting Methods for Industrials. C. E. Woods. 1917. \$5. Ronald Press, N. Y.

Ten Good Books on Cost Accounting

- Manufacturing Costs and Accounts. A. H. Church. 1917. \$5. McGraw.
- Problems in Cost Accounting. D. C. Eggleston. 1918. \$2.50. Appleton.
- Bookkeeping and Cost Accounting for Factories. W. Kent. 1918. \$4. Wiley & Sons, N. Y.
- Efficient Cost Keeping; a study of the most effective application of cost keeping principles to certain types of management. E. S. Lewis. 1914. n.d. Burroughs Adding Machine Co., Detroit, Mich.
- Principles of Factory Cost Keeping. P. Moxey. 1918. \$1. Ronald Press, N. Y.
- Cost Accounting. J. L. Nicholson and J. F. D. Rohrbach. 1919. \$6. Ronald Press, N. Y.

"He has been to China—"

Concerning the slap-dash policy in business.

EVERY now and then there comes across the editor's desk a letter that is altogether too good to be read and carelessly interred in the office files. It must be given feet and wings—and megaphones. Here is one of them.

It was written on the letterhead of the Department of Commerce, Bureau of Foreign and Domestic Commerce. It was dated at the American legation, Peking, China, and signed by Paul P. Whitham, American Trade Commissioner. It reads:

"After nearly two years of travel and investigation in China, I am not troubled about finding opportunities for Americans in China. I am concerned about the attitude of American business and financial houses toward those opportunities.

"The average American house seems to have its purposes centered in the 'immediate transaction' and the quickest profits. It does not appear to possess an appreciation of a business career extending over a long term of years. It does not show evidence of a national sense that considers the nation's well being in relation to the up-building of a permanent foreign trade structure that will enhance the country's wealth and prestige during the future years.

"With these thoughts in mind, I happened to read 'Houses Like Ours' in the November NATION'S BUSINESS and it struck me as saying the thing I had been groping to give expression to. The 'Slap-dash American businessman' has been to China, a few of him, but he has left more wrecks perhaps than successes or he has taken the largest possible immediate profit and departed. It is not intended to cast reflection on American business enterprises in China. There are a few houses that are painstakingly developing solid business in the Far East, but on the whole America has only nibbled at the great constructive opportunities that are being thrust upon her by the Chinese. America has played and is yet playing only an insignificant role in the economic, transportation and industrial reconstruction of a great country, a nation that has an essentially sound and industrious man power, three to four times as numerous as America's.

The World Needs Asia

APPARENTLY this fact has been overlooked by our business and financial houses:

"Americans must make heavy investments in the economic and industrial reconstruction of China as the foundation upon which to build a large permanent and lucrative trade.

"Such investments may pay only a moderate rate of interest, but they will develop China and multiply many times the producing and purchasing power of her three to four hundred million people, making possible the gathering in of the real profits through the expansion of general trade. Investments of this character will enhance American prestige and make her an influence and power in China and the Far East.

"The world has need of the things the great continent of Asia can be made to produce. It is important that the enormous

potential man-power of China be directed to constructive work that will enrich the Chinese and add to the wealth of the world. It would appear that the most effective way to lighten the tremendous war debts is to go out into the unused and backward places of the world and create new wealth on a scale not deemed possible heretofore.

"America needs houses that are willing to sacrifice a per cent in order to build up a future for themselves and their nation.

"America needs pioneers, men with iron in their blood, dominated by a vision that will inspire them to go forth into the world and duplicate the deeds of those who lead in

the development of the American continent.

"America, having in a measure completed the big task of subduing a continent within her own borders, needs to become a world pioneer, taking on yet greater tasks lest she soften and deteriorate amid the affluence and comfort of her own pleasant land.

"The world needs America's energy, material power and moral force applied to the vast unused places of the earth and to the backward countries bordering the Pacific in order that new wealth may be created; that the principles of liberty, equal opportunity and peace, for which the war was fought and won, may be made to prevail."

"Houses Like Ours—"

(Reprinted from the Nation's Business, November, 1918)

LONG established businesses, especially in older France and England, attain a certain professional attitude toward their institutions which newer and pioneer establishments are at a loss to understand. It is an indefinable something which would sacrifice a per cent in order to maintain a certain dignity and standard for the house. This feeling is but next door to a national sense, where the nation's well-being is dearer than that of the firm. Occasionally, like a flash, comes understanding—but let the incident speak for itself.

An American manufacturer had sold steel articles to a British firm. The shipment was held up for several months on the New York docks by an embargo. He discovered then that his customer, at the advice of the British government, had gone to Sweden for the same goods. The explanation that England was buying the steel to keep it from Germany did not shake the American's belief that there was a deep-seated plot against the trade of his country.

But a useful letter happened to be at hand to place before the manufacturer. It was from a French merchant to an association in America which had just elected him to membership and whose Executive Committee, appreciating the tremendous sacrifices of Paris business houses, graciously excused the payment of fees during war. Pertinent paragraphs were read to the manufacturer:

"I have received with a profound sentiment of satisfaction your honored letter of the eighth of August and I am greatly flattered by the unanimously favorable welcome which was accorded my candidature.

"I am very greatly obliged for the friendly action of your executive committee in excusing us from the payment of fees until the end of the war. True, we have had hours of mental anguish but we are as always ready for all sacrifices and houses like ours owe to the country the example of stability and poise. This morale is, besides, only that of all France which would perish rather than renounce her hopes."

"HOUSES like ours—" The manufacturer leaned over to read the phrase aloud to himself. "I get you," he said, "go on." The reading continued:

"Your great and powerful nation is seized with the same ideal of justice which sustains us today and hearing your heart beat with ours we no longer doubt our success. We see your soldiers everywhere, in our streets, in our railway stations, on our railroads, in our ports. Your sons are our sons. Those who have the privilege of witnessing their bravery in the line of battle are full of an affectionate and grateful thankfulness which knows no bounds.

"We have had the rare good fortune to be able to continue our business in spite of the bombardment. In view of this we must ask you to reconsider the decision you have made to excuse us from the payment of fees."

The manufacturer took the letter into his own hands and read it over again.

"A great letter!" he said. "It ought to be printed. It would help the country if more of us slap-dash American business men got the Frenchman's professional attitude and his national consciousness."

THE peace treaty makes a volume. It contains 150,000 words, of which 40,000 are devoted to the economic clauses. Perhaps the mere physical extent of the treaty will be an efficient deterrent to war; if the world ever again broke the peace, it might have to look forward to an encyclopedia.

COAL mines in England face many problems. The Coal Commission, which made an interim report in March, may not bring forward its final recommendations until the latter part of June. Meanwhile, the government seems to have advanced to coal operators \$35,000,000 with which to meet a retroactive advance in wages and another \$35,000,000 to tide them through the next two or three months. "Nationalizing working profits" without the Government taking over the machinery of production is the latest phrase used in England in discussion of the policy that will be followed with respect to coal mines.



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The Government's Part

(Concluded from page 22)

South Russian ports on the Black Sea. The ship was under the protection of the British or American flag, and it was hoped that the cargo would be bartered by delivering on board lighters, and thus avoiding the risk which would have been involved in storing the goods, for however short a time.

Before the ship sailed the news came of the progress of the Bolsheviki, and eventually, of the fall of Odessa, and the voyage was abandoned, with a consequent loss to American exporters as well as to the people of Odessa, who are frightfully in need of certain classes of merchandise.

The present draft of The League of Nations covenant does in my opinion attempt to deal with the problem under discussion. Article XIX (sometimes referred to as the Mandatory Clause) provides that the Territories which as a consequence of the war have shaken off their old sovereignty and which are inhabited by people not yet able to stand by themselves under the strenuous conditions of the modern world

shall be for their own well-being and development under the tutelage of advanced nations chosen by reason of their resources, experience or geographical position. Obviously it will be the duty of the mandatory to see to it that foreigners residing in such countries shall meet with fair and equitable treatment.

Article XXI of the covenant contains the following:

The High Contracting Parties agree that provision shall be made through the instrumentality of the League to secure and maintain freedom of transit and equitable treatment for the commerce of all States members of the League.

It is clear, I think, that if citizens of the United States doing business in any of the countries mentioned should have justice denied them it would be proper for the Government of the United States under Article XI to draw the attention of the body of delegates, or of the executive council, to the circumstances affecting international intercourse and threatening to disturb international peace or the good understanding between nations upon which peace depends.

The destiny of America lies not in continued isolation, but in active, honest, unselfish intercourse with the other peoples of the world. Both will be the gainers; but we must not forget that the role is for us a new one. We must not forget that we have long remained aloof from European affairs, and that the ways of Europeans are not always our ways. We must also not include that our ways are always right. Let us be mindful of the enormous treasure-house of experience and learning that Europe has been, and is today. Let us not forget the heroic part played by France and England in the defense of democracy while we remained as neutrals. Let us remember sympathetically, but not pityingly, the horrible price which these countries—especially France—was called upon to pay, and when we take our part in the great work of reconstruction, with these things in mind we shall be neither avaricious nor patronizing.

THE Clayton Act, in so far as it is to be administered by the Interstate Commerce Commission with respect to dealings between railroads and the companies upon which they depend for supplies, finance, etc., was suspended from 1916 to January 1, 1919. In April the Commission published the regulations it proposes for these situations and invited objections until May 15.

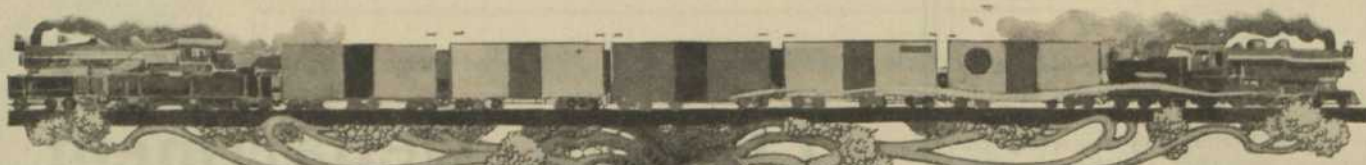
Foreign Department

The efficiency of our Foreign Department is the result of intelligent growth during a period of twenty years. The management has been steadily developed by the addition of trained experts, capable of handling every type of foreign transaction promptly, accurately, and intelligently. The volume of business handled has increased steadily. The services of these experts are at your command, and you are invited to call upon them.

The First National Bank of Boston

Capital, Surplus, and Profits, \$27,865,000
Resources . . . Over \$220,000,000

Branch at Buenos Aires, Argentina



The Great Tap Root of America's Transportation System

by
Harvey S. Firestone
President Firestone Tire & Rubber Co.

Ship by Truck Broadens the Scope and Multiplies the Usefulness of Our Railroads.

The basic economic reason is, that trucks can haul goods at a profit in territories and under conditions in which railroads would haul them at a loss.

By the judicious extension of truck-express companies the building of expensive branch railroad lines of doubtful earning capacity may be deferred until such time as the truck has developed sufficient tonnage to justify railroad construction.

The truck is the most adaptable of freight-transport methods. With the universal extension of good roads the truck can penetrate to the centers of freight production. It can follow the lines of richest territory unhampered by considerations of difficult gradients or sharp curves.

The truck operates when and where the traffic calls it. The truck does not involve a great investment in the hope of future returns. It begins at once to show profits. Or if the field of operation does not quickly produce freight in paying quantities, the truck can be transferred to a region of profitable tonnage.

Ship by Truck does more than eliminate the necessity of costly branch-line building. It relieves the railroads of a large percentage of the short-haul and less-than-car-load-lot shipments, which add to rail difficulties without increasing dividends.

Ship by Truck, the tap-root of truck transportation, goes deep into the rich fertility of freight origin.

Ship by Truck brings to the railroads tonnage that could be obtained in no other way. It brings minerals from the mountain fastnesses, timber from the forests, food products from the inaccessible farms and orchards.

Ship by Truck multiplies the normal tonnage many-fold. It will be one of the most potent agents for increasing the freight haulage of America's railroads and aiding them to a profitable basis of operation.

Ship by Truck. Encourage it in your business, in your industry. For by so doing you make more rapid and certain the movement of your own shipments and you aid directly in improving our national transportation.



The Sign of Good Truck-
ing Service: Manufacture
—Operation—Maintenance



The fact is -
**Over half the truck Tonnage
of America is carried on
Firestone TIRES**

Some Business Anachronisms

By W. F. GEPHART

*Dean of the School of Commerce,
Washington University*

THE first weakness in the modern system of retail distribution is that it is not modern. The second is that it lacks a systematic business organization of retail distribution. There is a great need of analysis of the retail business and especially the introduction of systems of cost keeping. There is many a proprietor in the retail business who knows so little of his costs that he is receiving a very ordinary wage for his day's service and he does not know it. He is continually selling his goods for less than cost.

The third weakness is the failure on the part of many distributors to organize their business that they may classify more systematically and justly their patrons, rewarding the more deserving and desirable and penalizing the others. The fourth reason is too much competition of the wrong kind in the retail distributing business. This situation is due to, first, the second weakness—the inefficient business man—and second to the laws governing business and inherited political ideas.

In this country we still worship the idol of competition. We are quite unmindful that, purely from a social viewpoint, competition may involve great cost and loss to society, as well as having in the principle of competition some benefits. But we do not discriminate.

What I wish to point out is that the popular ideas and enacted law have not kept pace with the changed conditions in the industrial and business world. Much of the present legislation in the year 1919 is suitable to a condition which prevailed in 1819. Unfair practice in business, low standards of ethics and many other evils exist not because the majority of the business men in the group desire them, but because of a minority of inefficient or dishonest men in the group, and because the government frowns upon associations and co-operation among business men. There is no need to fear that the individual proprietor in business will disappear. There is no thought or desire on the part of the thousands of individual men or firms to consolidate and effect monopolies, but only a disposition to agree mutually to certain principles for the purpose of correcting evil trade practices which are injurious not only to the particular business, but to society at large.

Finally, some questions must be asked. Is the middleman to pass out of existence? Is the middleman responsible for the present high cost of living? Will goods be distributed direct from grower or producer to consumer? No, emphatically no.

If the present industrial or social system has become more efficient, it is simply because of the increased division of labor, the specialization of function and the consequent increase in skill and efficiency. Modern civilization is a product of increased division of labor and specialization of function.

The Jack-of-all-Trades in frontier times was a valuable man, but he finds no place in the twentieth century. Each individual in the modern industrial system must be skillful. He must specialize in his work, for this leads to skill and low cost. The middleman is the specialized distributor of commodities between the producer and consumer, and while there may be in some instances too many of them, and while there may be too many inefficient ones, yet his function is a product of normal and natural industrial development. He is, therefore, a necessary link in the chain from grower or producer to consumer.

Advertising Appropriations Are Great Because Advertising Results Were Never So Colossal

Of all forms of advertising that have shared in this epochal increase, probably Poster Advertising has scored the greatest growth.

And the answer is simple.

In the war time days, when scarcity of raw materials rendered full service impossible and traffic troubles rendered shipments to other places impracticable, the advertiser awoke to the need of a medium that could quickly and thoroughly cover just the points wanted, without the cost and waste of a general, non-specific circulation.

And they found that the Poster exactly answered all their requirements—that it could cover a mile or a map with equal thoroughness and that it was done with a force and a directness that no other medium could approach.

So Poster Advertising has grown by leaps and bounds.

Are you interested in this logical publicity?

We will appreciate the opportunity of demonstrating its value to you or in advising against its use just as frankly in case it should not meet your needs.

IVAN · B · NORDHEM COMPANY

Poster Advertising in the United States and Canada

8 West 40th Street

New York City

Bessemer Building

Pittsburgh, Pa.

Offices in Chicago and Minneapolis.

Canadian Representative—The Wadsworth-Nathanson Co.,
Toronto, Canada.

The Business Man's Platform

Here is the expression of the best commercial and industrial minds of America on what is necessary to end the uncertainties that prevent our immediate return to a sound peace footing

IN the midst of an unsettled world condition—a state that was neither war nor peace—the foremost men of American business came together at St. Louis in the latter part of April at the meeting of the Chamber of Commerce of the United States. They did not hesitate to speak straight out. They gave in direct, plain terms their opinion of what was necessary to overcome the conditions that are hampering the return of the country to its full productiveness, and to restore confidence in the present as well as the future.

Their counsel is set forth here in the resolutions adopted by the St. Louis meeting:

Revision of Federal Trade Laws

WE recommend consideration of revision of all federal laws dealing with business conditions to the end that by proper readjustment of their provisions and of the functions of federal agencies industry and commerce in the United States may clearly know at all times their powers, rights, limitations and obligations.

Soldier and Sailor Employment

EMLOYERS generally adopted a policy of re-engaging soldiers, sailors and marines formerly in their employ, and this chamber recommends a continuance of this policy to the end that every soldier, sailor and marine shall find employment in the community where he was employed when he entered the service.

Prompt re-employment depends upon proper distribution. Proper distribution necessitates the return of a discharged man to the community where employed when he entered the armed forces, at least until such time as he may be better able to obtain elsewhere the kind of work, or the new opportunity, which he may now seek.

The commercial organizations of the country should continue to develop a program of closest co-operation in the field of soldier, sailor and marine employment, in all cases instructing the official in charge to keep the headquarters of the Chamber of Commerce of the United States closely advised in order that it may serve as a clearing house among local organizations and with the government.

Attention of Readjustment Problems

PROBLEMS of the greatest importance in the country's domestic readjustment from war to peace await the attention of our government. They require for their solution executive consideration and maturely developed legislation. While many of these problems are now receiving private study, which should continue and be intensified in order that we may be prepared to co-operate intelligently with the government, still the final responsibility before the country in these matters rests with the constituted federal authorities. It is therefore hoped that the President immediately upon his return will assemble Congress in extraordinary session for the formulation of the legislation necessary to safeguard our social and business structure.

Government and Business

THE very essence of civilization is that there be placed upon the individual only that degree of restraint which shall prevent his encroachment upon the rights of others, thus releasing to the utmost individual initiative in every proper direction.

Our form of government most effectively expresses and maintains this principle. Within our basic law exists ample provision for such changes as may from time to time be necessary to safeguard our people. It is therefore essential that our government should scrupulously refrain from entering any of the fields of transportation, communication, industry and commerce, or any phase of business, when it can be successfully undertaken and conducted by private enterprise. Any tendency of government to enter such fields should be carefully weighed in the light of its possible effect upon the very genius of our institutions.

Encouragement of Foreign Trade

THE stimulation and development of the nation's international trade is vital to the country's prosperity and the solution of its economic and industrial problems. The members of this Chamber, all business, agricultural and industrial associations and organizations, should direct the attention of their members to the importance of this subject and the necessity for encouragement and support of all measures which will facilitate and enlarge American trade with other countries, extend American banking and insurance to accompany and supplement the foreign enterprises of American commerce, and provide adequate cable and wireless facilities.

Investments Abroad

THE position of the United States as a creditor nation tends to stimulate American investment abroad. It is desirable that every possible encouragement be given such investment, as an essential factor in the development of American foreign trade.

Legitimate American investment abroad is entitled to the same measure of protection in the countries where made that is given by this government to foreign investments in the United States. The United States should enunciate and enforce a firm policy for the protection of American citizens and legitimate American enterprises and investments in foreign lands.

Construction

THE interests of the public require an immediate resumption of construction activities in order that the housing and other construction needs of the nation necessarily deferred by the war may be provided and that labor may find ample employment.

The Federal Government, especially the Railroad Administration and the Treasury Department, as well as state, county and municipal authorities, should proceed with public work wherever possible.

Street Railways

STREET and interurban railways have such a fundamental place in all important communities, and conditions of war have dis-

closed such acute situations in the affairs of this class of public utilities, that the Chamber's Committee on Public Utilities should proceed with its hearings and studies to the end that it may soon place before the Board of Directors a report with recommendations respecting the procedure which should be followed to place these important facilities upon a basis which will assure their efficient service.

Telephones and Telegraphs

THE government should promptly return to their respective owners the telegraph and telephone properties now being operated by the government, and Congress is urged to enact such legislation as will permit by voluntary agreement and under proper federal consent and regulation any consolidation of companies or joint utilization of facilities that may be found to be of economic advantage and in the public interest.

Highways

THAT highways are an integral part of our nation's system of transportation has been emphasized by the war, and an enormous development is at hand, so important as to require a comprehensive national policy, under which federal appropriations for highways will be applied to national needs for interstate commerce, agriculture, postal delivery, common defense and general welfare.

Congress should create a federal highway commission, independent of present departments of the government, composed of members from the different geographical sections of the country, to perform all executive functions of the federal government pertaining to highways, including those relating to existing appropriations in aid of state construction. Such a commission should act in co-ordination with any federal agency that may have functions of articulating rail, trolley, water and highway transportation.

Congress should make substantial appropriations for the construction and maintenance of a national highway system to serve the need for the maintenance of interstate travel and traffic.

The commission should report to Congress a plan for continued aid for state construction of highways in the period beyond 1921, to which time the provisions of existing federal-aid laws extend.

Expenditures of funds should be permitted only for highways which are of a permanent type, having thorough drainage, substantial foundations, sufficient width, and a capacity for traffic which will be reasonably adequate for future needs.

Waterways

WHILE the utilization of natural resources, the development of industries and extension of commerce depends upon adequate transportation, existing facilities are inadequate to meet the increasing needs of the nation.

We urge that the government speedily complete river improvement projects already authorized, and that Congress provide for a comprehensive system of waterways with co-ordination of the services of waterways and railways.



We also manufacture every type of *solid fibre* and *corrugated fibre shipping container* and our *pilfer-proof solid-end fibre container*, from board manufactured in our own Box Board Mill. In addition to wire-bound wooden boxes, we also make all other types of wooden boxes. When considering the subject of containers of any kind, consult us.

Saves Assembling Expense

SHIPPED, and stored knockdown, these crates take less storage space and are far easier to handle than shooks for nailed boxes. They take less time, labor and nails to assemble and save in the cost of packing and handling.

DREADNAUGHT WIREBOUND BOXES

Though lighter than other types of wooden boxes Dreadnaughts are many times stronger. Reinforced by wires and cleats they carry their contents through to destination safer and in better condition.

Dreadnaught Wirebound Boxes assure freedom from pilferage. The wires once untwisted *cannot* be retwisted.

Dreadnaught facilities insure to you an unbroken supply of boxes. We have nineteen factories, our own lumber camps, mills and timberlands. No order is too large for us to handle.

Whether you are shipping the lightest cereals or heaviest engine parts, it will pay you to investigate the merits of the Dreadnaught Wirebound Box. Write at once for full details. Fill out and mail the coupon that we may provide an intelligent quotation on your needs.

CHICAGO MILL AND LUMBER COMPANY

The World's Largest Manufacturers of Every Type of Box for General Use
2060 Conway Bldg., 111 W. Washington St., Chicago, Ill.

CLIP AND MAIL THE COUPON

Chicago Mill and Lumber Company, 2060 Conway Bldg., 111 W. Washington St., Chicago, Illinois.

Gentlemen: Without obligation to us, please quote prices on Boxes, based on specifications given below.

Box No. or Name	Inside Measurements Length, Width, Depth	Quantity Used per Year	Ordered in Lots of	Weight of Contents	Kind of Product

Name

Business

Street and Bldg.

City and State



Harnessing the Earth's rotation to guide our ships

THE Sperry Gyro-Compass is the first commercial utilization of one of the forces that is as old as the Earth itself.

For the Earth's rotation is the directive force which makes the Sperry Gyro-Compass point to the True North. The Sperry is NOT a magnetic compass. Therefore it is free from the variations and deviations which make the old magnetic compass unreliable.

The local magnetic attractions on a steel ship, particularly when carrying a cargo of metal, make it necessary to "compensate" the magnetic compass and to maintain the most constant watchfulness to assure its accuracy. Modern ships travel so fast and are so expensive to operate, that the slightest compass error may cost thousands of dollars and may seriously endanger the safety of the ship, its passengers, and its cargo.

The Sperry Gyro-Compass should be made standard equipment on every large American ship. In the navies of the United States, Great Britain, France, Italy, Japan, and seven other large nations, it has demonstrated its absolute dependability as a navigation compass.

Shipbuilders, exporters and other interested readers are invited to write for further information.

The SPERRY GYROSCOPE CO.
BROOKLYN, NEW YORK



Adequate terminals are essential to waterways for the economic exchange of traffic.

We recommend to the Directors of the Chamber the appointment of a special committee to study these questions and to invoke national legislation, where necessary, for the accomplishment of the above purposes.

Water Powers

TRUE conservation of the water-power resources of the United States in the acceleration of its industrial and commercial progress awaits the enactment of appropriate legislation. After a referendum to the membership, this Chamber has announced the principles which it advocates in such legislation. Legislation very largely in accordance with these principles was practically agreed upon by the last Congress. The new Congress is urged to enact such legislation in the early days of its forthcoming session.

National Budget

ANATIONAL budget will introduce standards of business in co-relating income and outgo and afford information as to the disposition and sources of public funds. Expenditures of the federal government have reached sums beyond all earlier contemplation. Taxation and borrowing have assumed proportions hitherto unknown. Through referendum and by vote of delegates in annual meeting this Chamber has repeatedly advocated a budget system as a means of introducing business methods in the government's fiscal affairs. We reaffirm these declarations.

The budget system should be accompanied by a central governmental agency which will be permanent and properly equipped for proposing standardization, simplification and increased efficiency in government offices. For this purpose Congress should authorize, and the President appoint, a commission to which the President may look for suggestions of improvements in the administrative organization and methods of the government.

Veto Power

THE processes of federal legislation should be kept clear of the abuses which may follow from the use of rider legislation. Through referendum vote this Chamber in 1917 entered upon formal advocacy of an amendment to the Constitution for the purpose of permitting the President to approve or disapprove any separate items or provisions contained in any appropriation bill. We affirm our previous action and urge that Congress take immediate steps directed toward such amendment.

Reorganization of Chamber

SEVEN years of steady growth have followed the organization of the National Chamber under the plan which was placed in operation in 1912. Experience has now demonstrated ways in which the Chamber should expand its organization to accord with its increasing responsibilities and obligations and to assure representation of every division of American commerce and industry. The form of such development has been very carefully elaborated by the Board of Directors, approved by the National Council, and placed before this convention. We therefore recommend that the Board of Directors should proceed with this reorganization.

Washington Building

A PERMANENT and suitable building for the occupancy of the Chamber at Washington as its national headquarters has now become desirable for efficiency in the conduct of the Chamber's activities and for the con-

venience of its members. The expansion in organization upon which decision has been reached makes this an especially opportune time to enter upon this project. Such a building will suggest the permanency to which this organization has attained and should be such as to represent creditably a great national interest. We accordingly urge the Board of Directors to take all steps necessary or advisable to this end.

More Import Restrictions?

THE news of the recent cut of \$4.25 in American prices for pig iron and of \$12 on finished steel is causing anxiety to steel manufacturers in England. At the revised prices, four-inch billets bring \$38.50 per gross ton in America while the British figure is £12. 5. 0, practically half again as much. The American price for galvanized sheets amounts to about £21 per ton, the British about £28.

According to reports from the American Chamber of Commerce in London, British steel manufacturers see their overseas trade threatened and even their domestic markets prejudiced by this discrepancy in prices.

A further cut might bring American steel, freight and all into the British market at less than the British price.

The export problem is even more acute. Great Britain with the freight against her in addition to her already higher prices cannot hope to put steel on the Canadian market for instance at a price which will compete with the American. And having doubled her steel making capacity during the war, the loss of overseas, and even colonial markets, at this time would be great blow.

Moreover, at the end of April the government removes its subsidy from pig iron and the price is expected to advance about £1 per ton which will raise the price of steel £2 to £3 according to the work done on it. As a result sellers cannot quote prices for future business and buyers of the semi-finished material will not engage on contracts, for they cannot tell what the steel is going to cost them.

The fact that the city of Birmingham should have placed a large order for street car rails with an American firm has evoked comment and when explained the answer makes British business none the happier. Bids were asked. Only three were received—two British, one American. Other British manufacturers were approached but none could handle the contract. Of those submitted, the American was most favorable both in price and guarantee of delivery.

Our Vigilant Tea-Tasters

TEA is a thing regarding which our government takes great pains, upon behalf of its citizens. Ever since 1897 it has had a statute to prevent importations of tea that is impure and unwholesome, and the Treasury Department has had its official tasters who, much after the fashion of tasters who accompanied kings when poisoning was the Bolshevik's favorite method of operation, sample the draught before their sovereign, the American people, gets a chance to drink.

At the end of February the Treasury announced the standards to which imports of tea must come in 1919. That the tea-tasters' art is delicate is clearly surmisable from the regulations. The quality must be up to standard, they say, but the flavor may be that of a different district; for example, a Teenkai may be equal to a Moyune but a distinctly smoky or Wenchow of sour character is not to be considered equal to the first two mentioned.

Is Your Business Prepared for Peace?

Do you need capital

- to expand your business;
- to eliminate floating indebtedness;
- to strengthen your cash resources;
- to provide additional space;
- to purchase equipment;
- to retire maturing obligations?

We specialize in financing high-grade corporations which are firmly established and can show a record of years of successful operation.

We purchase outright first mortgage bond issues in amounts of \$250,000 upward. The *Straus Plan* provides the desired capital immediately and permits repayment over long periods out of current earnings.

We invite inquiries.

S.W. STRAUS & CO.
ESTABLISHED 1862 INCORPORATED

NEW YORK CHICAGO
150 Broadway Straus Bldg.

Thirty-seven Years Without
Loss to Any Investor



Points the way to Highest Quality

The KEEN KUTTER trade-mark is of *real* value to you.

For it enables you to tell, in advance, what kind of service you will obtain from the tools and cutlery which you buy.

No matter how little you may know about steel or design or construction, if you will insist on getting tools and cutlery which bear the KEEN KUTTER trade-mark, you can be *sure* of the highest quality.

For years, professional builders and mechanics have known that any article which is marked with the KEEN KUTTER brand, can be depended upon for top notch service and greatest durability.

No matter what kind of a knife, tool, or shear you may require, it will be found under the KEEN KUTTER brand. And there's a tremendous satisfaction in knowing—when you buy—that there is no possibility of disappointment in your purchase.

So make use of the KEEN KUTTER trade-mark. It will serve you as it is serving thousand of others, in pointing out highest quality—infallibly.

SIMMONS HARDWARE COMPANY

"The recollection of QUALITY remains long after the PRICE is forgotten."

—E. C. SIMMONS.

Trade Mark Registered.

Proposed—A Highway Policy for the Government

EVERYONE will admit in a general way that good roads are greatly to be desired. Usually they let it go at that—and don't give the matter any more thought until they go out in the machine on the following Sunday and get stuck in the clay of an uncharted turning.

The economic and military sides of this question are worthy of the best business minds of America. Recognizing this, there is one body of men who have been giving it thorough study. They form the Highways Committee of the Chamber of Commerce of the United States. Many of them are men whose names and records you already know. They are F. A. Seiberling, President, Good-year Tire & Rubber Co., Akron, Ohio, Chairman; Lee J. Eastman, President, Packard Motor Car Company, Philadelphia; L. J. Brooks, L. J. Brooks Realty Company, St. Louis; Luke W. Duffey, Chairman Good Roads Committee, Chamber of Commerce, Indianapolis; W. W. Grant, President, Chamber of Commerce, Geneva, New York; John F. Casey, John F. Casey Company, Pittsburgh; Dr. F. L. Bartlett, Denver; A. J. Edwards, Chairman, Committee on Highways, Civic and Commerce Association, Minneapolis; Lawrence H. Brown, Chairman, Good Roads Committee, Chamber of Commerce, Spokane, Washington; Roy D. Chapin, Hudson Motor Car Company, Detroit.

CONTRARY to an ancient precedent, the result of their work is not lengthy and tedious. They start out by saying that the war has emphasized the great importance of our highways as an integral part of our nation's system of transportation.

We are at the beginning of an enormous development of highways and highways traffic.

The magnitude and importance of this development require that a more comprehensive national policy should be established.

National appropriations for highways should be applied to national needs for the purposes of interstate commerce, agriculture, postal delivery, common defense, and general welfare.

The most efficient administration of federal functions with respect to highways can best be secured by a federal agency independent of present departments of the government and its members chosen from the different geographical sections of the country.

These men recommended that the Congress of the United States be urged to enact a measure which shall embody the following fundamental features:

Establishment of a federal highways commission to perform all executive functions and duties of the federal government pertaining to highways and highways transportation, including present functions relating to existing federal appropriations in aid of state construction.

Substantial federal appropriations to be expended for construction and maintenance of a national highways system which will serve the national need for main routes of interstate travel and traffic.

Report to Congress by the federal highways commission of a plan for continued federal aid for state construction of highways for the period beyond 1921, to which time the provisions of existing federal-aid laws extend.

Expenditures of federal funds to be per-

These "Business Builders" are at your command!



Mark Well the Mark

THE printer who is a member of the United Typothetae of America is a creator and manufacturer of *Advertising Printing*. He is an efficient assistant to the business man who desires either technical help with art work and cuts, or the one who seeks the help of direct advertising in selling and merchandising.

He may have the facilities in his own organization for this helpful and intelligent service—and he always has at his call the able men who compose the Advertising Bureau of the United Typothetae of America. This Bureau provides sketches, layouts, even copy, through the U. T. A. Printer.

Direct advertising—folders, booklets, mailing cards, etc.—is one of the most powerful of business forces. It is capable of great results when used alone. It is a vital support for an advertising campaign in the general mediums.

Every Typothetae member can handle your direct advertising and handle it well. He does business in a businesslike way. He has subscribed to and adopted a modern system of business principles and business ethics. He will handle your business as you expect a high-grade organization to handle it. His standard cost system makes it sure that he will deliver a sound value.

You will know the U. T. A. Printer by the mark of the Typothetae shown on this page. He displays it on his stationery, in his advertising and at his place of business.

A Little Book to Read

You may have, by addressing this Association, a very interesting book, "Two Blades of Grass," especially designed to suggest further the tremendous values in Direct Advertising.

UNITED TYPOTHETAE OF AMERICA

(INTERNATIONAL ASSOCIATION OF MASTER PRINTERS)

Not conducted for profit

This Campaign is in co-operation with Paper Manufacturers and Merchants, Manufacturers of Type and Printing Machinery, Engravers and Electrotypers.

General Offices: Transportation Bldg.
608 So. Dearborn Street Chicago

TYPOTHETAE:
Pronounced Ti-poth'-ê-té, from the Greek, meaning "type-placers."



MALLEABLE IRON FOUNDRY



TANNERY



ROLLING MILL

"Plant and Equipment"

These items on an inventory should represent a money-making asset. Do they on yours?

We lay out an industrial plant on the basis of what, how, and how much it should produce, and then design the buildings to accomplish the greatest efficiency of production.

We give you the right building or buildings—serviceable and beautiful buildings—at minimum cost and in minimum time. Our clients will confirm this statement.

This service deserves your investigation. You can't afford to overlook it if you want a new plant, or increased production in your present one.

FRANK D. CHASE,
INCORPORATED
INDUSTRIAL ENGINEERS

645 N. Michigan Ave. Whitehall Building
CHICAGO NEW YORK

mitted only for highways which are of a permanent type, having thorough drainage, solid foundations, hard surfaces, sufficient width, and a capacity for traffic which will be reasonably adequate for future needs.

Diagnosing the Ailments of Our Public Utilities

FOR quite some time all has not been well with the public service corporations of these United States. People recognized in a general way that it was a case that would have to be tended to some day—but they put off that day because at the time a man named Hohenzollern was kicking up something of a row on the other side and it took all the time and most of the money of the country to finish him off.

Meantime, under the influences of financial malnutrition the public utilities began accumulating ills that ran in some cases from spots before the eyes and pains in the back to acute indigestion and near prostration.

In view of this situation the Chamber of Commerce of the United States gathered together a group of men to make a diagnosis and prescribe a cure. They were men of the highest business order. The group was headed by Lewis E. Pierson, of the Irving National Bank, New York. The others were Charles L. Harrison, Chief of Ordnance, Cincinnati District, Cincinnati; P. N. Myers, President, St. Paul Association of Public and Business Affairs, St. Paul, Minn.; Albert W. Harris, President, Harris Trust & Savings Bank, Chicago; E. K. Hall, Electric Bond & Share Co., New York; James S. Havens, Eastman Kodak Co., Rochester, New York; P. H. Gadsden, Charleston, S. C.; Arthur W. Brady, President Union Traction Co., Anderson, Ind.; Henry G. Bradlee, President, Stone & Webster, Boston, Mass.; J. W. Lieb, Vice-President, New York Edison Company, New York; F. B. De Berard, Director of Research, Merchants' Association, New York.

After finding out all there was to know about the case of the utilities, they had the following to say:

A. Fundamental Place

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Such a condition inimical to the whole public now exists as to street railways. The emergency is so immediate that the committee at once makes this report with respect to street railways.

Subject to peculiar limitations which do not apply to the same extent in the regulation of other utilities, street railways have been unable to increase their income to conform with the growth of their expenditures. Private industries have found a way to increase prices to meet their increased costs for wages and materials and changed conditions of credit. Public utilities do not possess this freedom of action. This has developed a



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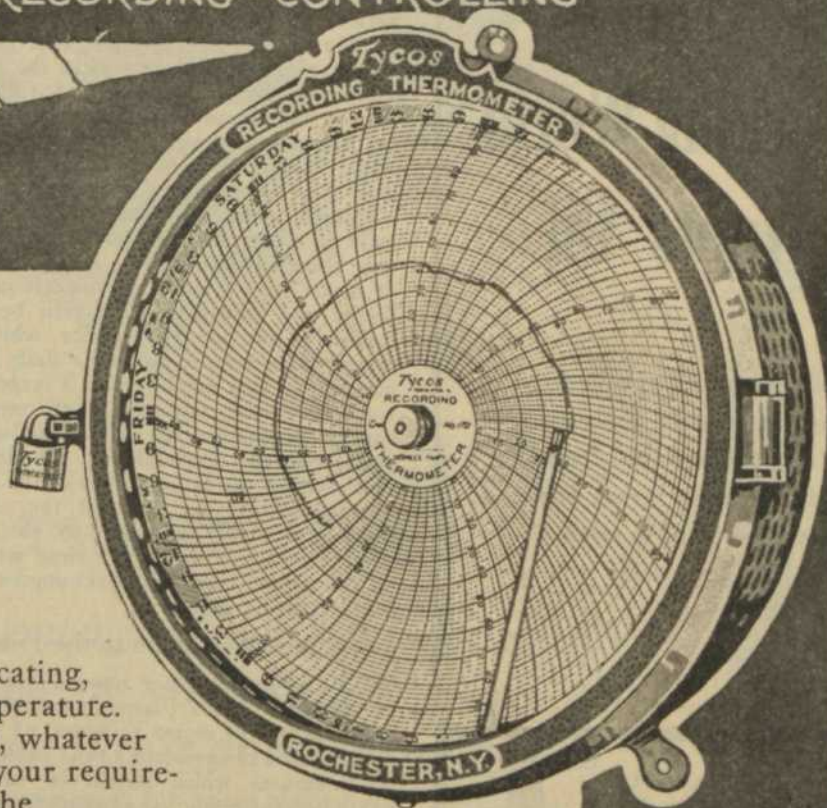
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critical situation in the street railway industry.

This problem is common to every community in all parts of the country and therefore has become national in importance. It is a most urgent problem of the readjustment period. The danger increases day by day. In March 10% of the mileage of the street railways of the country was in the hands of receivers. By the middle of April the proportion had already increased to 12½%. Furthermore, many companies not yet formally declared bankrupt are in fact insolvent when gauged by any ordinary business standard.

Wholly apart from the interests of street railway companies themselves, such a situation threatens disaster to every community. It means that a public service around which homes and industries have been built lacks means to provide the service which these communities require for their daily life. It means, too, that employers of a large body of workers cannot without relief continue to pay an adequate wage in a period of great increase in the cost of living. It means also that some of the largest users of the products of manufacture are without the ability to make purchases necessary to their maintenance and extension at a time when such purchases are vital to the resumption of our manufacturing industries.

What They Mean to the Public

TO your committee it appears that the time has come for a thorough examination of the functions of street railways, of the relations street railways bear to the public, and of the measures which should be adopted to guarantee the public an adequate service. An entire reconsideration is needed. In such a re-examination it may appear that a remedy is not to be found merely in an increase in fare, but that there may be other ways of reaching a solution of the problem.

Whatever the causes leading up to present conditions, the remedy can now be found only if there is a widespread knowledge respecting the proper relations between street railways and the communities they are called upon to serve. At present there is no such general information and understanding of these problems which affect the daily life of every citizen, whether he be an employer or an employee, a merchant or a manufacturer, a city resident or a dweller in a suburban home.

Upon considering the importance of this subject, and ascertaining the circumstances which we have attempted to suggest briefly in outline, we have concluded to present to you three recommendations in contemplation of the immediate action which is necessitated by the emergency:

This committee should be continued and authorized to hold hearings at which it may invite information and suggestion from persons representing different interests and diverse points of view and who can contribute toward solution of the problem.

After holding hearings and completing studies as expeditiously as possible, this committee should be authorized to present to the Board of Directors a report setting out recommendations with respect to the principles which should be adopted in undertaking to solve the street railway problem; this report might then serve as the basis for a referendum vote among all the organizations in the membership of the Chamber of Commerce of the United States.

Meanwhile, organizations in the membership of the Chamber of Commerce of the United States should be requested to co-operate with this committee in developing information which the committee may need in reaching its conclusions.

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The Railroad Man's Viewpoint

(Continued from page 14)

control the government recognized most of these features were essential to carry out an active transportation business, but will our legislators and regulators have the faith and courage to put through some such reasonable program, and deal as constructively with the railroads as with the banks, and will the state governments co-operate?

Does the fear of allowing the railroads adequate rates still exist?

I would point out that in many of our strongest companies, and notably in the case of the Pennsylvania Railroad System, which consists of weak lines as well as strong lines, part of the surplus was continuously put back into betterments and improvements, and aiding traffic-feeding lines, as a conservative measure of finance. The surplus of the Pennsylvania System did not arise from extortionate rates, but very largely from paying dividends to stockholders below the prevailing return in other companies for a series of years, and also from profits on long-time investments, and through premiums on some of its capital stock issues.

I would further point out that, under no system of government ownership, guarantee or control, have there been reductions in rates equal to those made by our company and others under private management and initiative, and prior to the enforcement of punitive laws and regulations.

But some are not satisfied with a conservative program of railroad rehabilitation. They wish to throw this eighteen billion dollar public service into another period of theories. Government ownership and operation is a favored scheme. The experience of the world showing its cost, lack of enterprise, and the fact that practically no country adopted government ownership and operation for purely economic reasons, but rather for military or political purposes, is thrust aside, and due consideration is not given as to its adaptability to our political institutions and form of government, or business conditions, and the effect of permanently placing two million railroad voters on the national payroll.

No one can tell whether the federal government will be willing to pay the states the \$200,000,000 in annual taxes now paid by the railroads, or carry on that policy which has so well developed the states in the past. Our various state and city costly experiments with public works and canals, railroads and transit systems are thrust aside. With government ownership and operation once instituted its advocates would find no deficiencies; the latter would be hidden in the annual appropriation and tax bills, or covered by continued rate increases.

While the trend of public opinion is now unmistakably opposed to government ownership as a solution of the railroad problem, there is much discussion of the possibilities of a government guarantee of railroad income, and if the income is guaranteed in substance, the principal of bonds must be paid at maturity, if not previously scaled down through government valuation. The railroad investor—so badly frightened by punitive laws and regulations and small profits—is willing to listen to any reasonable plan whereby he can have a guarantee, hoping that he will have no more serious fluctuations in the price of his securities, and will be assured of a fixed income. He is not given the value to be placed on his individual investment on which the guarantee is to be based, nor the income

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Appendix C: The Employment Exchange from within.

Appendix D: Report of a conference between organizers of trade unions, Bristol Employers and others concerned with the industrial employment of women, convened by the Bristol Association for Industrial Reconstruction, on the 16th and 17th of March, 1918, on the position of women in industry after the war.

Appendix E: Labor's pronouncement of the restoration of trade unions customs after the war.

Appendix F: The Labor Party's statement on the labor problems after the war.

industrial relations projects of British industry. For this reason the appendix has been made unusually large — the material in it serves as a practical manual of British joint industrial management.

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In 1917, General Goethals, Admiral Capps, and Admiral Bowles invited Mr. Bloomfield to organize the industrial service activities of the United States Shipping Board, Emergency Fleet Corporation. His work has been cordially approved by the shipbuilding employers and workers of the United States.

Mr. Bloomfield is the founder of the great employment management movement in this country. He is the "father of the new profession of handling industrial personnel."

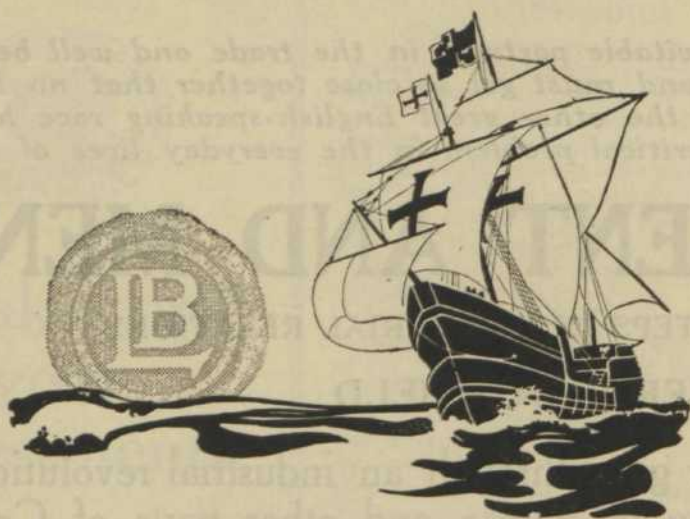
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to be guaranteed. He knows nothing of the division that is to be made between the various classes of securities of his railroad, nor the standing that is to be given to the various liens on his railroad property, and consequently does not know what is to be the final value of his securities, or whether he will finally get any return thereon at all.

That knowledge, if it had to be conveyed beforehand, would be a serious eye-opener to the railroad investor. He should know it beforehand or he is taking a step in the dark. A governmental guarantee would plunge the country into a wholesale financial reorganization of the railroads extending over a period of years, and would ultimately mean government ownership.

But, to temporarily palliate the situation, the guarantee is to be coupled with private operation. What is to be the capitalization of these private operating corporations? Are they to be mere shells with no large financial stake in the properties they operate and administer? Is there any business man present who would recommend the government to guarantee returns on property having a value of about eighteen billion of dollars and turn it over to six, or even eighteen, private operating companies without demanding the power to define its financial and operating policy?

Can any stock or bondholder imagine that our government will guarantee railroad stocks and bonds, and charge nothing for that guarantee? Should capital improvements thereafter be made according to the business necessities or on the political judgment of each administration? Would political favoritism as to new improvements, branches and extensions, and orders for supplies be inevitable in the government guarantee plan? Should we then employ officers and men who have political influence? Should we impose this guarantee plan on the country in the midst of the great struggle she must meet to reconstruct her industries and put national affairs and taxation on a peace basis? What period do you think it would take to work out the financial reconstruction of all the railroad systems of the country, and all their leaseholds, guarantees and other obligations, and what is to occur meanwhile?

What Good to the Citizen?

WHAT is the advantage of the guarantee plan to the private citizen who is not a railroad security holder? Those who support it admit that private ownership and initiative under equitable regulation produce the most efficient and economical operating results. The contrary obtains under government direction, and the citizen pays the cost in higher rates and higher taxes.

Let us try to depict the situation in any year when the income earned was less than the guarantee, how would the deficit be met?

Congress would have to appropriate the money out of the public treasury and raise the funds by public taxation. If the deficiency ran through several years Congress would be obliged to make repeated appropriations from the public funds to the railroad companies. Instead of getting the railroads out of politics we would probably be making them the major issue in national politics. It is difficult now for the Government Railroad Administration to get from Congress the funds needed to meet the government obligations to the roads when the government is in complete charge of operations and is collecting and disbursing the revenues. What would be the situation with eighteen railroad companies in full charge of the operations and the revenues, and the government called upon to make good their oper-

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ating deficit? Bitter partisan attacks would be made on the corporate management for their failure to earn their minimum standard income, and demands in congress for investigation of alleged extravagance and inefficient management and waste of the peoples' money given to the railroad stockholders.

The French railways have had a guarantee of income by the government for many years. In France the government keeps a string on every dollar advanced to the private companies on account of the guarantees. When the French treasury advances funds to a railway to enable it to meet its capital charges it is in the form of a loan at interest.

When a French company becomes hopelessly in debt to the government on account of advances on the guarantee, the government is obliged to protect its interest by buying in the property, and that would occur promptly with our weak roads. This is what happened to the Western Railway of France that was taken by the government in 1908, after years of continuous appeals to the treasury to make up the annual deficit.

But those who have suggested a government guarantee for American railroads want an out-and-out guarantee—a payment of government funds to the private companies whenever they fail to earn their standard return. Such an arrangement might work out fairly well with roads not in need of a guarantee, but I think it is plain to see what would happen to roads or regions that did not earn their guarantee.

To my mind the guarantee of railroad income by the government would inevitably lead to government ownership—first of the weak lines and later of all the lines.

But we are told that weak roads are one of the barriers to a constructive policy, and some are near bankruptcy. They are to be regionalized and, ignoring trade routes or commercial necessities, are to be attached to the strong roads under a guarantee plan; but the basis no man has worked out even for a single large railroad system. What is the benefit of this experiment in furnishing a more efficient transportation service? We are testing regionalization under federal control. The total estimated rental guaranteed the railroads in the first class was \$900,904,000, and the net railway operating income in the calendar year 1917 was \$974,778,937. This existing margin of over \$73,000,000 in excess of the guaranteed rental to be allowed the railroads was in favor of federal control, and later the expense of corporate officers and their staffs, and the extra war taxes, were thrust upon the corporations and the government was relieved.

The Result

BUT that was not all, regionalization and unification, with savings of advertising, use of short routes, permit system of moving traffic, mobilization and pooling of equipment, elimination of outside agencies, ticket and freight offices, elimination of selfish competition, full train loads, and no empty cars, was to save hundreds of millions more, and all of this was further assisted by higher rates. You all know the result. I don't criticise it; I appreciate that we had abnormal business conditions since the war began, but these are facts. The result could not have been prevented under government control of policies and management. Maybe the experiment was worth paying the price, although I doubt whether the full price is yet realized.

The root of our difficulty lies in weak railroad credit, and Congress must by legislation place the welfare of the public, which is so

intimately intertwined with the transportation systems, beyond the powers of any state or federal commission to disrupt the entire transportation system and investment. The way to do this is by a statutory rule that will insure adequate rates, and responsible regulation. Without such action there can be no railroad financial rehabilitation.

I suggest that the first step in the program of having the roads produce an adequate return upon the investment should be taken by the government itself, which now has control of the railroads. There is no justification in throwing the railroad deficiencies on the backs of the taxpayers through a congressional appropriation, and if the government itself, in the control of the properties, has not sufficient courage to deal with the rate situation as it has dealt with wages and material costs, then from what source can we expect the requisite courage to deal with this great business and financial question?

They Won't Mix

POLITICS and business have not mixed so far in any country, and even in the countries under autocratic institutions government guarantees or direct government ownership have not brought initiative low rates, or anything to commend them to us here. That is why the railway executives held fast to the essentials requisite to continue public regulation and make it effective. I conclude that the immediate remedy for the situation is:

Adequate revenues on which the railroad credit may be strengthened and the new capital attracted.

Concentrated, responsible national regulation, separated as between its executive and administrative functions and its judicial functions, and founded on equitable legislation that will require our regulators to insure strong transportation systems, and not weak railroads.

All railroads under public regulation to be authorized to lease, acquire or consolidate with any other railroad corporation, and reasonable co-operation permitted in facilities, equipment, and train service.

Regulation of security issues.

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Funding of the capital debts incurred during government control.

Rehabilitation of revenues of the existing railroads should begin immediately while they are under government control.

I have faith in the ability and integrity of our business men, financiers and wage earners. But the country wants protection against those imported, costly, so-called socializing experiments that breed uncertainty and timidity, that paralyze private initiative, and endanger liberty in our personal, business and political life.

EXPORT associations continue to come into existence under the Webb-Pomerene law. In the last few weeks new organizations have been recorded with the Federal Trade Commission for the export of rock phosphate, meat products, lumber, and cement. Altogether, some 80 associations have filed statements with the Commission.

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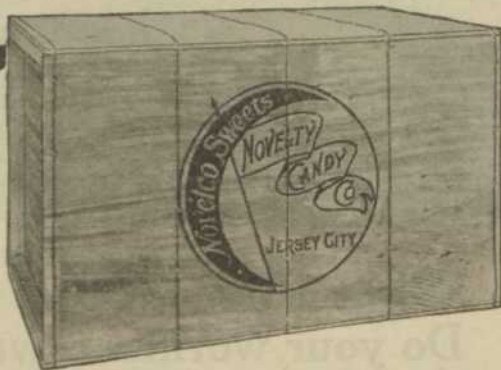
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